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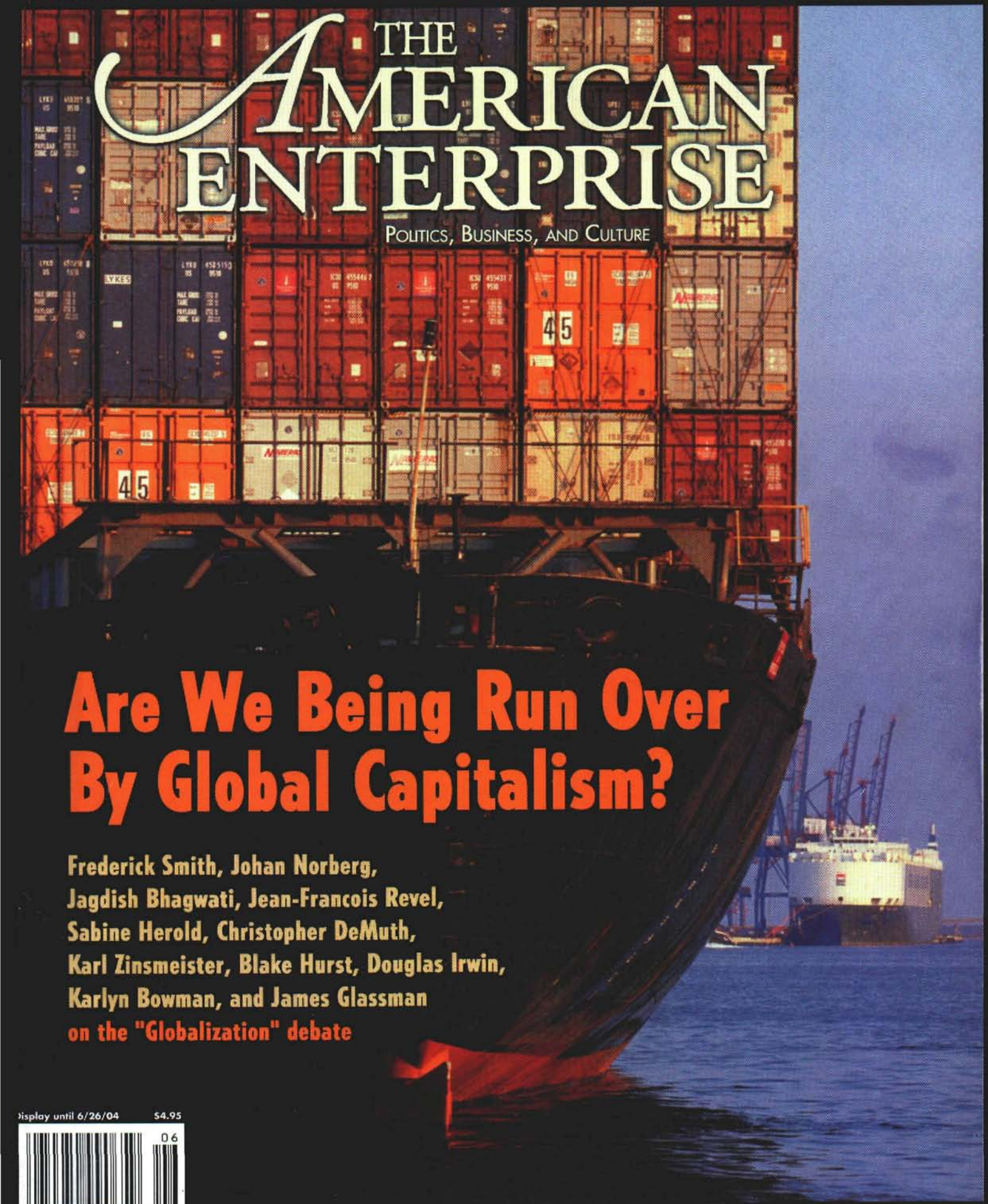

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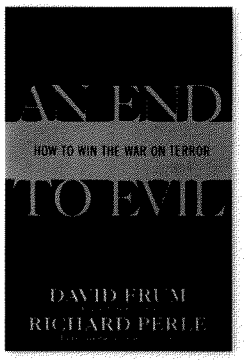

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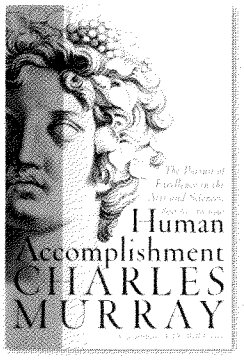

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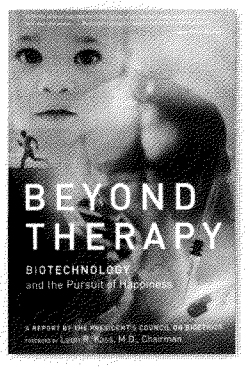

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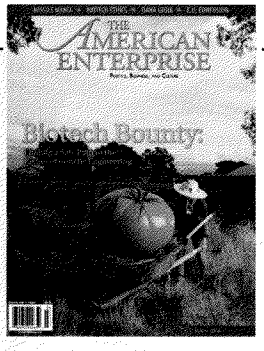

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THE AMERICAN ENTERPRISE
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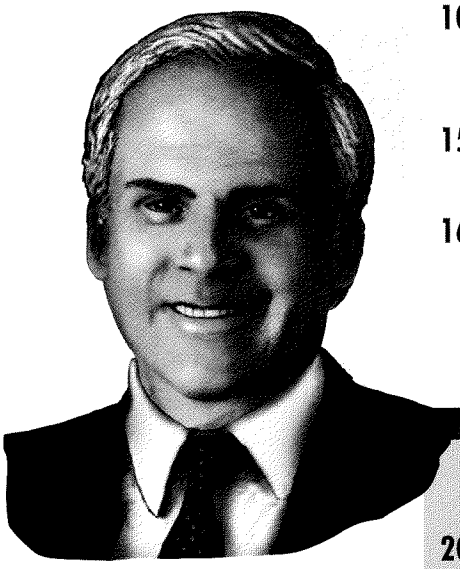

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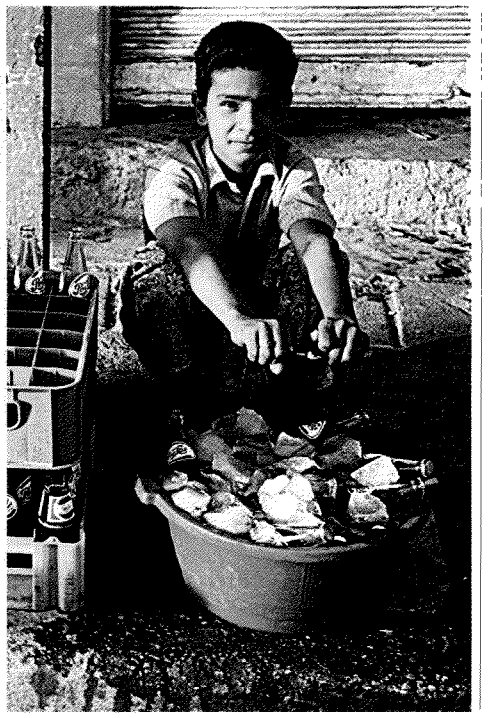

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Bird's Eye

Don't Be Afraid of Competition

By Karl Zinsmeister

> An English princess, with Egyptian boyfriend,
> riding in a German car powered by a Dutch engine
> driven by a Belgian tippling on Scottish whiskey,
> is chased by Italian paparazzi on Japanese motorcycles
> and crashes in a French tunnel. She is treated by
> a U.S. doctor using Brazilian medicines. She dies.

It's true: Di was KILLED BY GLOBALIZATION!

Recently, a fascinating menagerie of capitalism-haters, xenophobes, union die-hards, enviro-radicals, cultural reactionaries, and Massachusetts senators have been proclaiming the evils of globalization (which is just a $50 word to describe the fact that the entire world is becoming one big interlinked market). Armed with the shocking facts I've assembled above, enraged activists should be able to lever enough sympathetic coverage out of Barbara Walters, Mike Wallace, the *New York Times*, the *National Enquirer*, etc. to expand the anti-globalization crusade even further. If the masses who dropped Teddy Bears on Diana's grave can be mobilized, then maybe the Benedict Arnolds and sweat shoppers and downsizing demons who are ruining America (after outsourcing the Princess of Wales to the Elysian fields) will FINALLY BE STOPPED!

Of course, one could draw a different conclusion from the international nature of Diana's last fling. One might say that globalization is now so woven into our lives as to be simply a bedrock fact of modern existence. The availability of cappuccino in Missouri convenience stores, imported Cadillacs rushing past Lenin's tomb on the streets of Moscow, men with names like Ichiro leading off our baseball games, the migration of spring break from Ft. Lauderdale to Mexico—these things are now as permanent and irreversible as the disappearance of whalers, bare-breasted maidens, and head hunters from the South Pacific. You may love the change, you may mourn it. But there's no use in picketing. Life moves forward.

And today, changes occur more rapidly than at any time in the past. I will be the first to admit this can sometimes be disorienting. I was a little taken aback when I picked up a tube of good-old Crest toothpaste from my sinktop last year, started to read the label, and found the words "Made in Mexico." O.K., we all recognize that labor-intensive products like blue jeans or green beans may be less expensive to produce in a place like Mexico. But toothpaste? I imagine that mixing the minty stuff and injecting it into plastic sleeves has been a low-labor, highly mechanized process for decades. How could it possibly be more efficient for Procter and Gamble to move everything south of the border, let the machines run there, then truck the heavy tubes all the way to me in upstate New York? I scoffed at this for a day or two. And then I just let it go. I've got to assume there is some advantage in doing business that way—or else nobody would have gone to the trouble to set it up. Why battle the natural economic breezes?

This issue of *The American Enterprise* features an interview with Fred Smith, the

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man who dreamed up FedEx and the overnight delivery business that is now such an important part of our lives. In one of his many memorable declarations, Smith has said of his company that "We are the clipper ships of the computer age." That's exactly right. Now, anyone who has seen a schooner under full sail might miss the romance of the sea merchants. But they did exactly what FedEx does today, only less reliably and a lot more slowly. The *Flying Cloud* was fine for importing tea, but try waiting on it to deliver blood you badly need for a transfusion.

The undeniable reality is that most of the economic transformations which dizzy us today also leave us better off—dramatically so over the long run. There are something like 25,000 different items in the inventory of an average supermarket these days. I ate lots of grapes this winter; I have no idea what country they came from, but I'm sure they weren't grown in New York. Globalization gave me a nice alternative to raisins.

Nonetheless, a minor economic hysteria is currently sweeping this country. It started with the Democratic primary, when the candidates went looking for sticks with which to beat George Bush. John Edwards, Dick Gephardt, Howard Dean, John Kerry, and company noticed that the popping of the dot-com bubble in 2000, the 9/11/01 attacks, and the uncovering of the 1990s corporate accounting scandals brought a recession. They wailed loudly about employment losses, a "jobless recovery," "outsourcing" ordeals, and "the worst economy since Herbert Hoover"—all of this obligingly echoed by the media. Hearings are being held, TV specials aired, protectionist measures proposed in Congress.

Just out of curiosity, do the facts back up the idea that we're in an economic fix? Well, no. The U.S. unemployment rate is currently 5.7 percent. That's lower than the average for the 1990s, or 1980s, or 1970s. As Jim Glassman points out in his spunky column on page 48, it compares to unemployment rates of 9.6 percent in France, and 10.4 percent in Germany.

America's economy is currently growing faster than that of any other developed nation in the world. Our productivity growth is better than at any point in 20 years. Inflation, interest rates, and mortgage costs are at historic lows; real income has never been so high; home ownership stands at a record level.

When he accepted the Democratic nomination for re-election as President on August 29, 1996, Bill Clinton proudly stated that "We have the lowest combined rates of unemployment, inflation, and home mortgages in 28 years." Well guess what? Those combined rates are even *lower* today than when President Clinton did his crowing. So why does it feel like you've stumbled onto the obituary spread every time you open the business section or front page of a newspaper these days?

The main reason for today's economic second-guessing is the political season I've already alluded to. But I believe there is also a deep-rooted gloom impulse within our national media and parts of our political class which naturally boils over once or twice a decade. The last big roil occurred in the mid 1990s. It was a classic, ideologically induced panic attack, fanned by a series of articles churned out by the *New York Times*. In the spring of 1996, the *Times* ran a seven-part series totaling more than 40,000 words titled "The Downsizing of America." It was the longest piece of journalism printed by the *Times* since the Pentagon Papers.

It argued that American families and communities were being torn by economic shocks. Job security was a thing of the past. Wages and income were falling! Middle-class Americans were suffering! And employers COULDN'T CARE LESS! The *Times* announced "an unrelenting angst that is shattering people's notions of work and self and the very promise of tomorrow."

These same themes were echoed by the rest of the major media. *Newsweek* ran menacing mugshots of business leaders on its cover under a headline of 3-inch-tall red letters reading "Corporate Killers," and, on the inside, "The Hit Men." Leftish professor Robert Reich warned that "there is something terribly wrong, terribly un-American…prosperity is bypassing…most full-time workers." He insisted that "the precariousness of the middle class is stunningly obvious."

Looking back now at what actually happened during the '90s as demonstrated by hard evidence—family earnings, personal consumption, home size, a sharp poverty decline, burgeoning college attendance, zooming motorcycle and boat sales, you name it—it's quite clear that America was dancing an economic jig precisely when these pointy-headed critics were proclaiming doom. "Unrelenting angst," my eye.

The droopy-mouthed economic Eeyores in our politics and media emerge on a regular cycle, rather like the cicadas that crawl from the ground in force every few years and start singing loudly in our trees. Before 1996's "downsizing" hysteria there was the circa-1990 "Japan as Number One" phobia. America's sluggish, selfish, short-sighted business economy was going to be eaten whole by the Japanese, we were told. All I can say now is: Burp!

In the mid 1980s, the hue and cry was over "de-industrialization." All Democrats, some corporate-welfare Republicans, and hordes of media enablers insisted that America could not survive without a government-controlled "national industrial policy."

And before that, starting around 1980, the mania was a purported "infrastructure crisis." Walter Mondale, Gary Hart, the *New Republic*, and others with x-ray vision assured us that our bridges were all about to fall down! Our highways were crumbling! Our ports were on their last legs, and threatening to sink our economy with them! I bet you'll never guess that the proposed solution to all this potholed "infrastructure" was more government planning, legislating, and spending.

Thankfully, each of these crazes was beaten back by cooler economic heads. And as a result, the U.S. had an extraordinary 1980-2004 economic run. We've enjoyed vastly more growth, less indigence, and more technological progress than the

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Europeans and Japanese, who resorted to heavy government interventions to address similar Chicken Little claims from their own critics of modern capitalism.

But the cicadas have hatched again. Today's loudly proclaimed trauma is "outsourcing"—which is in turn part of the larger problem of "globalization." This latter syndrome is felt to be so wicked it has spawned its own "anti-globalization movement." As amusingly international in scope as the economic trends they decry, the anti-globalists have thrown bricks through windows on all the inhabited continents.

As many observers have pointed out, the anti-globalization campaign has become a catchall for frustrated radicals, malcontents, and utopians of all stripes. "Since the heavily advertised death of socialism, if there's an idea that unites much leftish economic thought today, it's that globalization is the root of many evils," writes the editor and publisher of *Left Business Observer*. "Anti-capitalism has turned into anti-globalization among left-wing students," observes Columbia professor Jagdish Bhagwati. Globalization is said by the Left to exploit poor Third Worlders abroad, and to "delay the doomsday for capitalism at home" which Marx so confidently predicted. (Uhhh, we're still waiting, Karl.)

In addition to keeping alive the "anti-capitalist and acute anti-corporation mindset," Bhagwati notes, "throwing sand into the gears of globalization is seen as a way to spit on American hegemony." This important element of anti-globalization's appeal is explored in greater detail by Frenchman Jean-Francois Revel on page 36.

New Republic writer Franklin Foer notes that the anti-globalists "represent a revolt of the affluent. They are college students and graduates materially comfortable enough to condemn materialism." As they organize their protests on cell phones and the Internet, jet to locales like Cancun and Genoa to set up barricades, and tinker back home in Vermont or Oregon at blacksmithing or selling organic vegetables to tourists to support themselves (with the help of checks from mom and dad), these protesters are obvious beneficiaries of the global exchanges and capitalist prosperity that they attack. Some simply feel guilty. "Though their message is muddled, it seems to pretty much reprise the message of the '60s: concern for the Third World and loathing of American power," reports Foer.

The anti-globalists aren't just conflicted college students, though. Many of them—as is easily observed at their protests, in their books, and on their Web sites—are strident and sometimes violent revolutionaries. Leading anti-globalist organizations like Peoples' Global Action are little more than fronts for warmed-over Marxists who, after the discrediting of communism, underwent cosmetic surgery and mascara-heavy makeovers, and re-emerged as friends of the peasant. As the left-wing on-line encyclopedia "Wikipedia" notes, it is common for anti-globalists to refer to the managers of international companies like Microsoft, Monsanto, and Nestle as "war criminals." Routinely, "corporations are rhetorically likened to locusts or rapists." It's a short step from this kind of language to the violent "direct actions" anti-globalization radicals often take at international economic gatherings, producing deaths and costly damage in settings ranging from Seattle to Ottawa to Italy.

At the heart of the anti-globalization movement is an even deeper radicalism: the rejection of reason. Activists disown the very idea of the scientific method, of economic research, of measurement, of weighing costs and benefits. As the Wikipedia summarizes, they "oppose a 'tyranny of Number'…meaning any global measurements of people or profit at all." Adherents have an essentially religious resistance to trade, communication, business, and exchange on an international level.

Anti-globalism is closely linked to the earth-worshipping Gaia ethos, to many madcap notions of "deep ecology," to peace protestors, to various sexual liberation movements, to Luddism, feminism, socialism, Green ideology, communism, and other irrational fundamentalisms of the Left. At any anti-globalization rally you will see representatives of all these impulses. The more practical leaders of the movement mostly characterize themselves as anarchists.

Just for fun, let's be war criminals for a moment and practice the tyranny of Numbers. Let's take some of the complaints of the anti-globalist movement seriously, and see what hard empirical evidence can teach us about their claims. Take, for instance, the idea that global trade is merely capitalist exploitation of weak nations by strong nations. Given how anxious most poor nations are to trade with rich nations (the Third World's main beef these days is that the First World won't trade and invest *more* with them), this sounds a little fishy on its face. But let's be open minded. What do the real outcomes of recent decades tell us about how freer trade affects poor countries?

The answer is encapsulated in the charts on pages 24, 22, 27, and 23 of Johan Norberg's fine essay leading off our feature section. The more a country trades freely, those graphs demonstrate clearly, the less likely it is to be poor. Third World nations that held themselves apart from globalization during the last decade actually damaged themselves, while those who participated in trade and accepted foreign corporations and private investment grew briskly. The true result of free economic exchange is thus not "rape," but rather things like fewer dead babies, more educated women, clean water to drink, decent houses to live in.

When the influential left-wing charity Oxfam claims that "trade is reinforcing global poverty and inequality, because the international trading system is managed to produce these outcomes," you are hearing conspiracy theory in its most ignorant form. Does anyone really believe that pot-bellied, cigar-smoking managers in companies like Microsoft and Nestle and IBM actually conspire to run the international trading system specifically

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so as to shaft poor people? And the first part of Oxfam's statement—"trade is reinforcing global poverty and inequality"—is just as crackers as its conspiracy dig.

Does anyone really believe that pot-bellied, cigar-smoking managers actually conspire to run the international trading system to shaft poor people?

Consider developments in the world's two most densely poor countries after they abandoned socialism for capitalist trade. From 1978 to 1998, poverty in China fell from 28 percent to 9 percent, according to statistics from the Asian Development Bank. In India, poverty declined from 51 percent to 26 percent over the same time period. If you think the simple spread of modern technology caused these improvements, independent of economic policies, consider that during the quarter century prior to 1978—*before* China and India decided to tie their fortunes to global trade—poverty actually went *up* in China, and held stagnant in India at 55 percent.

Further evidence of trade's importance in bringing prosperity to the Third World can be seen in Africa. Africa is the part of the world that has globalized the very least. Not coincidentally, it is by far today's worst suffering continent, hosting 66 percent of the world's poor. For more evidence on whether international capitalism harms or helps Third Worlders, see Professor Bhagwati's excellent exploration of the subject on page 28.

A recent change in tactics by opponents of global capitalism illustrates the essential phoniness of many of their objections. For a long time, the Left has argued that the problem with globalization is that it enriches the industrial countries at the expense of poor countries ("Nike preys on the leatherworkers of Malaysia"). But very recently, enemies of capitalism have reversed the charge: Globalization comes at the expense of workers in the industrial countries ("IBM gives good jobs to Indians, betraying U.S. software engineers"). Once and for all: Is U.S. investment in the developing world good for them or bad for them? Good for us or bad for us? The critics can't have it both ways. In attempting to do so, they demonstrate that the anti-globalization complaint is fundamentally a witch hunt—an attempt to heap abuse on international business even if the claims are directly contradictory.

Let's bring the globalization debate home. What are the hard facts on outsourcing? Is it treason that damages America, as John Kerry has said?

Actually, according to a March 2004 study by Nobel laureate Lawrence Klein and economist Nariman Behravesh, overseas outsourcing increases the total number of U.S. jobs, and benefits the U.S. economy in many ways. Their report looks specifically at the effects of sending computer software and services jobs overseas, and finds that, because the industries which use computers become more productive, the process ultimately produces twice as many jobs in the U.S. as are displaced.

In 2003, Behravesh and Klein estimate, offshore outsourcing of computer services created a total of 90,264 net new jobs in the U.S. The decline of 24,860 jobs in the software industry and 3,393 more in government was counterbalanced by 20,456 new jobs in wholesale trade, 19,815 in construction, 18,895 in transportation and utilities, 18,015 in education and health services, and so forth. By 2008, the authors project, outsourcing of computer jobs will result in a net increase of nearly 320,000 new jobs in the U.S. as a whole. And additional new jobs aren't the only benefit. The two economists find that computer outsourcing also reduces inflation, expands exports, raises American wages, and yields higher overall economic growth.

One of the problems in judging economic changes is that the disadvantages are usually obvious, whereas the benefits are often hard to see at a glance. Lots of Americans now know that the number of computer service jobs outsourced to India has risen from 110,000 to 250,000 over the last five years. But few realize that over that same period India increased its purchases of U.S. services from $1.8 billion to $3.4 billion annually.

Many more billions of dollars worth of services are sold by the U.S. than we purchase abroad. And it isn't only in services that the U.S. remains extremely competitive economically. When BMW decided recently to expand the number of cars it manufactures, it decided to "outsource" the work to the U.S. by building a new factory in South Carolina. Germany's rigid labor laws and high social costs encouraged the decision. American politicians wanting businesses to make the U.S. their first choice when sinking new investments would do well to make sure our regulatory environment remains attractive to others in the future.

The bottom line: About 25 cents of every dollar in our Gross Domestic Product is now related to international trade. In 1970 that ratio was only about 10 cents. Anyone claiming that the internationalization of business is bad for us must explain why the most prosperous third of a century in American history has coincided with an explosion of overseas commerce.

Many of the issues blamed on international trade are, in truth, unrelated. Of the 58.6 million job layoffs in the U.S. between 2001 and 2003, how many would you guess were the result of jobs shifting overseas? Try just 690,000. The rest were simply part of modern capitalism's normal churn.

"Well that raises another problem," you may say. "What the devil is wrong with an economy that lays off 58.6 million people, anyway?" The answer is, "Nothing."

From 1993 to 2002—boom years by any standard—America's total employment grew by 17.8 million. But do you know how this happened? Fully 310 million jobs were eliminated during that decade, and replaced with 328 million new ones. This may sound

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bad on paper, but that fluidity is precisely what makes the U.S. a marvel of creativity and new production, and the world's best locomotive for pulling people from poverty to comfort.

And capitalist churn is not just an American phenomenon; it occurs wherever economies are free to experiment and grow. Between 1995 and 2002, countries like China, Japan, and Brazil eliminated more manufacturing jobs than the U.S., according to a recent study from Alliance Capital Management. Brazil shed fully 20 percent of its manufacturing jobs during that period, Japan 16 percent, China more than 15 percent (mostly from clunky state-owned factories). A willingness to replace less-productive old jobs with more-productive new jobs is the source of affluence today.

Jagdish Bhagwati notes that "when jobs disappear it is usually because technical change has destroyed them, not because they have gone anywhere." He recalls, "When I came to my university 25 years ago, I got a secretary. Today, the new hires get a computer instead."

And a solution that is economical in one place, he notes, may not make sense in a different setting. "In India, where a secretary costs a small fraction of what one would in New York City, but a computer costs more, any Indian professor who asked for a new laptop would probably get a secretary instead. It is simply a matter of economic reality in both places."

The real root of the fretting over globalization, I suggest, is this: The world has become extremely competitive. Globalized trade, communication, and travel has clearly ratcheted up competition in many sectors—the economy, technology, education.

It can admittedly be a little scary to compete for your living. But we all know that without the spur of competition, any organization eventually grows fat and lazy. Most Americans welcome the benefits of competition, and rely heavily on it to keep progress flowing.

The question about globalization thus becomes: Do we trust our ability to compete successfully against alternatives from other countries? Do we have confidence that we'll win our share? Or are we afraid to face the challenge?

This winter's Democratic debates often seemed to portray U.S. workers as frail reeds, worn out by a mean economic world, tiptoeing right at the verge of tears. Is that you? Is that me? Since when do Americans need to be sheltered from testing ourselves against others? What makes anybody think our society will become stronger if U.S. companies are forbidden from matching their workers against foreign alternatives for tasks like answering phones or writing computer programs or assembling hard drives? For that matter, is it even possible in this day and age to protect second-rate businesses from more productive rivals?

One of the wisest responses to the 1996 economic sob story by the *New York Times* that I described earlier came from writer Robert Samuelson. Behind these whiny stories about the unfairness of economic discipline, he wrote, "is a contemporary consciousness, shared by many journalists, that assumes that people are entitled to life without worries, setbacks, or conflicts—and that anything less is a 'crisis.'" This is infantilization of grown-up Americans, and it does not become us as a nation.

Nor will it make our society better. "The ultimate effect of shielding men from the effects of folly is to fill the world with fools," said Herbert Spencer. We have seen this as a practical fact too many times to count. The managers and workers at U.S. automakers slumbered away in lazy mediocrity until sharp competition arrived from abroad. Now their cars are safer, more comfortable, less polluting, and cheaper to buy and operate than in the era before global competition. The battle brought out a better us.

If John Edwards wants to see American workers at the top of the heap, he and his trial-lawyer buddies ought to stop blocking efforts to tame the ridiculous lawsuit costs that drag on many of our companies. Dick Gephardt ought to ask the union bosses whispering in his ear whether the work rules and seniority stipulations and non-portable pensions and costly fringe benefits they've insisted upon have anything to do with the migration of work elsewhere. Software engineers interested in heading off Indian outsourcing need to ask their employers what they can do to help stop the mushrooming of employer-provided health care costs.

Wages account for only 10 percent of the total cost of U.S. manufacturing today. Litigation expenses, taxes, environmental rules, workers' comp, benefit costs, and regulatory expenses total up to more than twice the wage bill at America's average manufacturer. If they're concerned about our economic viability, activist politicians should chisel away at *those* problems. Or, even better yet, address the biggest obstacle of all to a stronger American economy, by opening up our public schools to competition.

The very worst step we could take would be to "shield men from the effects of their folly," as Spencer put it. Protectionism never helps in the long run. Besides, there is no economic crisis today in need of heading off. At our current rate of annual productivity growth our economy will *double* in size over the next two decades. That will make life better in many ways small and big. (If, on the other hand, the political class screws up our private economy, the Baby Boomers had better plan to triple up three to a room in their nursing homes, and learn how to divide their blood-pressure pills.)

The American economic formula has been the very same simple one that nature uses to produce a taller corn plant: lots of cross-breeding and competition, resulting in impressive upward evolution over time. By inviting the smartest, most diligent, and talented workers on the globe to exchange their best products for ours, we've not only grown rich but also honed our own abilities to a very sharp edge.

America is a competing nation, not a shielding and sheltering one. Competing even more strongly in the future is what we ought to concentrate on now.

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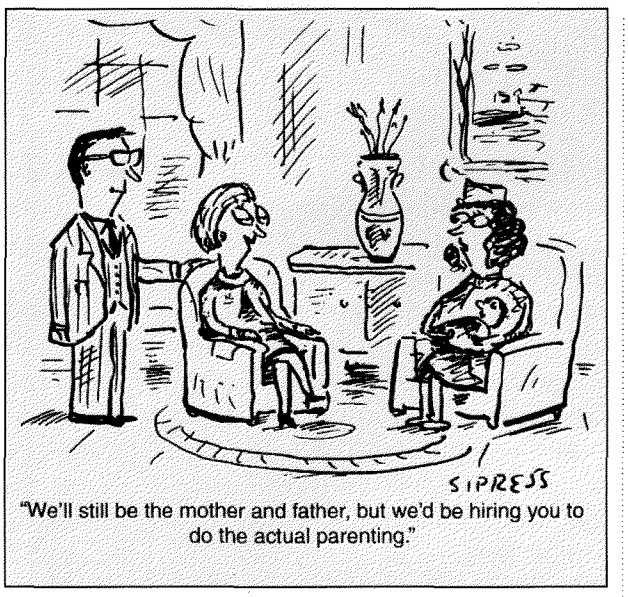
Sidelights

By Brandon Bosworth

Hamed Abderrahman Ahmad, a prisoner released from the U.S. jail at Guantanamo Bay, complained to an Australian paper that he was tortured while in American custody. His torture consisted of being forced to listen to **Bruce Springsteen**'s "Born in the USA." ❧ Baghdad gym owner **Sabah Mehdi**, who used to train members of **Saddam Hussein**'s security forces, changed his five-year-old son Abdullah's name to Arnold. "**Arnold** [**Schwarzenegger**] is a legend. Before the war nobody was allowed to give their children Western names," said Mehdi, who has already started little Arnold on a weightlifting program. Mehdi named his gym the Arnold Classic when Schwarzenegger was elected governor of California, and the two men have corresponded by mail. ❧ If elected, Massachusetts senator **John Kerry** would be the third richest President in United States history. **George Washington** and **John F. Kennedy** were the two wealthiest. ❧ Two thirds of Americans don't think **George W. Bush**'s National Guard service during the Vietnam War is a legitimate election issue, according to a *Washington Post*/ ABC News poll. ❧ Trenton, New Jersey's Lawrence Middle School instituted a policy stating that seventh- and eighth-graders are allowed to leave class for the bathroom a maximum of 15 times a month. ❧ The European Union's foreign policy chief, **Javier Solana**, warned against overreacting to the March 11 terrorist attack on commuter trains in Madrid: "Europe does not find itself at war." ❧ The New Mexico legislature is considering a law that would require automobile drivers to breathe into an alcohol-detection device in order to start their vehicles. State representative **Ken Martinez** stated, "People called seat belts and air bags inconvenient at first.... It's just an issue of getting used to it." ❧ In an effort to explain why there are so few conservative faculty members at Duke University, Duke philosophy chair **Robert Brandon** stated, "We try to hire the best, smartest people available.... If, as **John Stuart Mill** said, stupid people are generally conservative, then there are lots of conservatives we will never hire." ❧ In Pittsburgh, a seven-year-old girl who told another student, "You're going to hell for swearing to God," was suspended for using the word "hell." ❧ **Jussi Salonoja** of Finland was fined $209,101 for driving twice the speed limit in the nation's capital, Helsinki. Finnish traffic fines are based on an individual's income, and Salonoja is worth more than $7 million. ❧ **Alice Regina Pike** of Covington, Georgia tried to buy $1,671.55 worth of goods at Wal-Mart with a $1 million bill. She was arrested for forgery. The highest-denomination bill ever produced in the U.S. was a $100,000 note in the mid 1930s.



"We'll still be the mother and father, but we'd be hiring you to do the actual parenting."

The central Asian nation of Turkmenistan passed a law banning men from going out in public with unkempt hair. Since the law also applies to foreigners, barbers are being stationed at airports and border crossings to ensure the new rule is obeyed. ❧ *Adweek* reported that 45 percent of American women have considered cosmetic surgery. ❧ 80 million Americans are at least partly bald, according to *Newsweek*, and spend $2 billion a year on anti-balding medication, transplants, or hair pieces. ❧ The Church of England ruled that some of the Three Wise Men may have been women. ❧ A new law Down Under will make the possession of swords illegal in the Australian state of Victoria this summer. Those caught with a sword after the law takes effect face up to six months in prison, or a $12,000 fine. ❧ Half of all Bulgarians believe in black magic, telepathy, and the ability to see the future in dreams, according to a Gallup poll cited in *Jenata Dnes* magazine. ❧ The violinists of Germany's Beethoven Orchestra are suing for a pay increase on the grounds that they play more notes per concert than their fellow musicians. Orchestra director **Laurentius Bonitz** described the suit as "absurd." ❧

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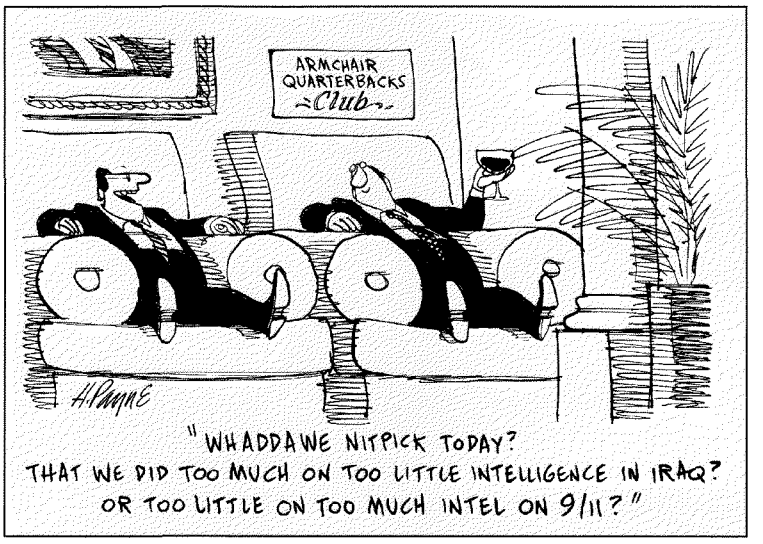

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9/11 HYPOCRISY

The public postmortem conducted by the national 9/11 commission has been full of ironic twists. Take the commission's finding that U.S. intelligence assets had Osama bin Laden in their sights on at least three separate occasions during the Clinton Presidency (not to mention an offer from the Sudan to snatch the terror mastermind) but were prevented from acting by higher-ups.

In 1999, U.S. teams were actually ordered to hold their fire because administration officials worried that an Arab dignitary on a hunting trip in the vicinity of bin Laden might be harmed. According to 9/11 Commission staff, CIA officials still call it the "lost opportunity to kill bin Laden before 9/11."

It's odd that the welfare of someone vacationing with terrorists was enough to dissuade the Clintonites from acting. And it's especially odd that Richard Clarke—who now parades himself as a spurned prophet and sanctimoniously blames his successors for not acting more forcefully against bin Laden—was at the very center of that decision. For it was Clarke himself who convinced his bosses to scrub the 1999 attack by warning about the proximity of Arab officials to bin Laden.

Perhaps mindful of his role in squandering that opportunity, Clarke later recommended, after the attack on the *USS Cole*, that President Clinton "bomb all of the Taliban and al-Qaeda infrastructure." Of course, that didn't happen—until Bill Clinton was out of office. Clinton's Secretary of State Madeleine Albright explained to the commission that "to bomb at random or use military force would have made our lives more difficult inside the Islamic world." Of course, the decision *not* to bomb made quite an impact inside our own world—not to mention a hole in the Manhattan skyline.

Referring to the refusal to attack bin Laden at his hunting lodge, 9/11 commissioner Bob Kerrey says, "We had a round in our chamber and we didn't use it." Other commissioners joined Kerrey in questioning why no American officials took the kind of action that might have prevented the September 11 attacks.

Of course, that sounds a lot like preemption—a dirty word in some quarters these days. If preemption would have been appropriate to forestall bin Laden's September 11 massacres, it was also appropriate to prevent Saddam Hussein from trying to top bin Laden somewhere down the road.

"The United States will not permit the world's most dangerous regimes to threaten us with the world's most destructive weapons," President Bush declared in 2002. "As a matter of common sense and self-defense, America will act against such emerging threats before they are fully formed"—which is exactly what Bush did in Iraq, and Clinton didn't do in Afghanistan and Sudan.

Yet Richard Clarke and some of the Democrats on the 9/11 commission have tried to use the hearings to shift the blame onto Bush for not achieving in eight months what Clinton failed to attempt in eight years. Clarke insisted that during the Clinton Presidency there was "no higher priority" than fighting terrorism and especially al-Qaeda. The historical facts argue otherwise:

- In 1993, Islamic terrorists threw their first blow at the Twin Towers, killing six Americans and injuring 1,000. The Clinton administration responded with indictments.
- In 1996, a truck bomb in Saudi Arabia claimed 19 U.S. airmen and injured 200. Clinton responded with indictments.
- In 1998, terrorists bombed a pair of American embassies in East Africa, murdering 224 civilians and injuring more than 5,000. Clinton responded with an impotent volley of cruise missiles and an indictment of bin Laden.
- Finally, in October 2000, terrorists used a rubber boat to blast a hole in the *USS Cole*, killing 17 sailors. The Clinton team responded by sending FBI officials (not troops) to Yemen.

Clinton's counterterror policies, which were reactive rather than preemptive, and premised on law enforcement rather than military action, bear no resemblance to Bush's. In the words of Commissioner Bob Kerrey, al-Qaeda "knew—beginning in 1993, it seems to me—that there was going to be limited, if any, use of the military and that

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they were relatively free to do whatever they wanted."

It was politicians like Bill Clinton, and policymakers like Richard Clarke, Madeleine Albright, and Jamie Gorelick (who did her best as part of the Clinton Justice Department to handcuff law enforcement officials at all levels, yet now broadcasts sanctimony as a 9/11 commission member) who constrained our intelligence and military forces from killing bin Laden. Now they're casting blame to divert attention from their own misjudgments.

—**Alan Dowd** is *an adjunct fellow with the Hudson Institute.*

FAIR-WEATHER FRIENDS OF FEDERALISM

When President Bush endorsed a proposed Constitutional amendment that defines marriage as the union of one man and one woman, some on the Left began singing a somber tune. "We are losing our precious federalism!" they lamented.

The *New York Times*, *Washington Post*, and *Los Angeles Times* all complained that the amendment would prevent states from "doing their job" in our federal system. Talk about selective attachment to the principle of federalism. Talk about bad faith.

Many of those now complaining that a Constitutional amendment would needlessly nationalize the issue of same-sex marriage have for years insisted that the issue of abortion *had* to be nationalized, that *Roe v. Wade's* judicial edict *must* be enforced in all the states, that leaving localities to set their own abortion policies would be an abomination.

And what about the recent Supreme Court decision in *Lawrence v. Texas*, which invalidated a Texas law criminalizing homosexual acts? The *New York Times* and company couldn't cheer loudly enough for that ruling—which violates all principles of federalism and local self-determination in the area of social policy.

Will all those championing federalism as a means of solving the battle over same-sex marriage allow the same solution on abortion and homosexual conduct? Will we see states' rights editorials in the *New York Times*? Don't hold your breath.

A principled case can be made for allowing each state to fashion its own marriage policy. But true, principled federalism would cover much more than just same-sex marriage. And real federalism, contrary to what activists in San Francisco and elsewhere now countenance, would mean letting public policies on same-sex marriage—and other topics—be made by state *legislatures.* Not by city clerks or mayors, and not by judges. For more than 175 years, the power of state legislatures to set policies on public health, safety, and morals was routinely affirmed by both state and federal courts as a basic principle of American Constitutionalism. Are backers of gay marriage prepared to help resurrect this understanding across the board?

If they were honest, many proponents of same-sex unions would concede that they have been trying for years to erode the very tenets of federalism they now appeal to. Decisions such as *Roe* and *Lawrence*, mushrooming judicial audacity, and decades of runaway centralization of social policy—all promoted by liberal institutions that are now decrying a nationalized solution on gay marriage—are what created the apparent need for a Constitutional amendment.

If same-sex marriage becomes irrevocably established in Massachusetts, as may soon happen, all other states could also be forced to accept that policy via the "full faith and credit" clause of the U.S. Constitution. To resist such an undemocratic outcome through a proposed Constitutional amendment may strike some persons as extreme. But it is a predictable response to even bolder provocations by judges and public officials who have long shown that they hold the core principles of American federalism in contempt.

—**David Tubbs** *is the W.H. Brady visiting fellow at the American Enterprise Institute.*

THE TAX BILL

More than 130 million Americans filed individual tax returns last year, and they collectively handed the government $1.038 trillion. It is a very small number of high-earners, though, who mostly pull the national wagon. Fully 53.3 percent of all taxes are paid by the top 5 percent of earners. The top 1 percent alone pay 32.2 percent of the total (up from 30.5 percent the year before).

The Bush tax cuts reduced tax payments for most Americans—but more sharply for lower income Americans than for the higher income. According to Treasury Department figures, the Bush reforms reduced tax rates by 16 percent for the bottom 50 percent of taxpayers, and 12 percent for the top tax payers.

NOBLESSE OBESE

For two years, Carmen Bowen, 44, has been fighting the officials providing her with public housing in Cleveland. She has now filed a federal discrimination complaint against the city. Her beef (so to speak): They didn't do enough to accommodate the fact that she weighs 772 pounds. Under current federal law, this qualifies her as disabled.

Bowen's weight has left her completely immobilized. She says fatty tissue drooping from her stomach area, estimated to weigh as much as 350 pounds, extends beyond her body and prevents her from walking. As a result, she didn't move, for years, from her bed in the middle of her apartment's living room—where she lives with her 19-year-old son and a nurse who serves as her Medicaid-provided full-time caregiver (and, now, legal advocate).

The nurse feeds Bowen and puts her on a bedpan. Bowen passes time by playing video games, listening to music, and watching TV. She writes poetry to boost her self-esteem. In August, when she

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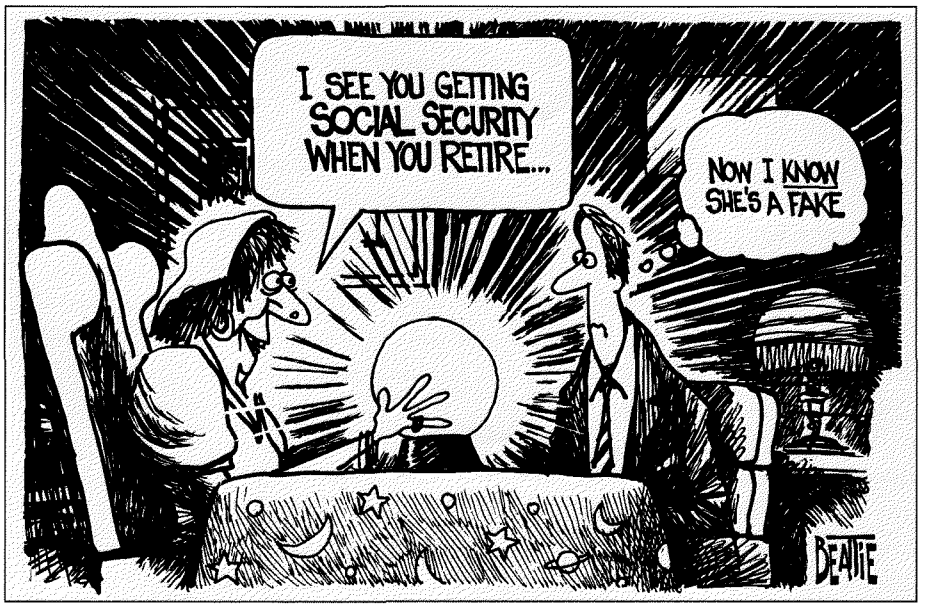

needed dental work, 22 firefighters and medical technicians worked for two and a half hours to move her out of her apartment. They returned to get her back in.

In a letter to her city councilman, Bowen insisted: "I need to feel comfortable in my own home." In response to her complaint, the city recently carried out $30,000 worth of work on a special apartment—removing doors and walls, building in an automatic door operator and panic device, demolishing the existing bathroom and installing a special shower, and putting in a sidewalk to her front door. She also got a special oversized electric wheelchair.

WANTED: LAW ENFORCEMENT

The Immigration and Naturalization Service went out of existence on March 1, 2003, when Congress officially split the INS into two separate entities: Immigration and Customs Enforcement (ICE), and Citizenship and Immigration Services (CIS), both under the umbrella of the new Department of Homeland Security. The idea was to make border enforcement (the job of ICE) more effective by separating it from the very different process of welcoming and assimilating legal immigrants (the work of CIS).

Unfortunately, our border control entity still seems to lack a brisk law enforcement mentality. Russ Knocke, the director of ICE's Office of Public Affairs, recently told a panel of Washington, D.C.'s Center for Immigration Studies that President Bush's amnesty proposal for illegal aliens is really "not amnesty. It's a one-time, regulated opportunity."

San Diego Border Patrol agent T. J. Bonner, now president of the National Border Patrol Council, responded that "Webster's defines amnesty as 'an authority pardoning people for whatever reason, a large group of people generally.'... When eight to 16 million people have broken our immigration laws, and you're saying, it's O.K., we forgive you, that is an amnesty."

"I kind of liken it to the tax code," he added. If the government offered an amnesty to anyone who hasn't paid his taxes, "it would just encourage everybody to stop paying their taxes." The proposed amnesty is likewise "encouraging everybody to continue to flood across the borders."

"Border Patrol agents feel that it's a slap in the face.... They've been out there enforcing our immigration laws, and for the President of the United States to come out and say, You did it all for nothing, is...outrageous."

Knocke stated that were the President's proposal to become law, employers who hire illegals would become the focus of immigration enforcement. Bonner pointed out that employer sanctions were "the keystone of the Immigration Reform and Control Act" of 1986. And we all know how that amnesty turned out.

WHOSE SIDE ARE THEY ON?

"It is more than 'the power of America' that would be defeated" if the fight against extremists in Iraq is not pursued to a successful end, argued British Prime Minister Tony Blair in mid April. A terrorist victory "would defeat civilization and democracy everywhere."

The extremists know this, says Blair, which is why they are so desperately resisting the transformation of Iraq. But the troubling fact is that some Europeans and Americans have actually drifted onto the terrorists' side. "The truth is, faced with this struggle on which our own fate hangs, a significant part of Western opinion is sitting back, if not half hoping we fail, certainly replete with schadenfreude at the difficulty we find."

This cheers our enemy, Blair suggests. "They see the Western media. And they ask...[whether we have] the stomach to see it through." He warns that "One thing is for sure: The extremists have faith in our weakness just as they have faith in their own religious fanaticism. And the weaker we are, the more they will come after us."

DEMOCRATS FOR DEFEAT?

The fashion that quickly describes almost every serious U.S. military engagement as "another Vietnam" has gained renewed popularity. Prominent Democrats like Ted Kennedy, not to mention enemies of America like Moktada al-Sadr, have recently been outdoing each other in the media in describing our current situation in Iraq as "Bush's Vietnam."

Former U.S. Senator and current AEI visiting fellow Fred Thompson explained recently what the Democratic faultfinders are up to. "By invoking Vietnam, they are in effect predicting a U.S. defeat and

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pullout. Even as they give lip service to winning, they foment a sense of despair instead of offering a strategy for victory. Let's be blunt here: For many of the President's critics, there is a domestic constituency to be won from failure abroad. They are campaigning on defeat."

Thompson reminded his Washington audience that "there's a nation of Americans and a world out there watching us. And these predictions of defeat have profound consequences in the real world. In every war there is a tipping point that determines in what direction the larger conflict will go. The strategic tipping point for this war is American will power.

"Our enemies…know they cannot defeat us militarily, so instead their aim is to demoralize us, to shake our resolve…. Their purpose is to break our will, to convince us to cut and run. Unfortunately, that strategy is not illogical. We have run before. That is why we are under siege today."

The struggle in Iraq, says Thompson, is "a new opportunity to test our will." And—Vietnam-criers, take note—"every politician who describes Iraq as another Vietnam gives our enemies hope for success."

The former senator closed with some free election advice to Democrats: "The purpose of terrorism is to undermine public opinion here at home. I believe, however, that the American center will hold. And when the President's political opponents run a campaign on defeat, it is they who will be defeated."

SUPER VETERAN?

Things John Kerry voted to kill as a U.S. Senator:

—the Bradley Fighting Vehicle
—the Tomahawk cruise missile
—the Apache helicopter
—military pay raises (12 different times)
—increased intelligence budgets (numerous times)
—the spending needed to support our troops currently in Iraq

A REBEL IN THE PEOPLE'S REPUBLIC

If absolute power corrupts absolutely, the Massachusetts Democrats are in trouble. For more than four decades, the Democratic Party has held control of the state legislature, much of that time with veto-proof majorities. And though the Massachusetts electorate has seen fit to finally put Republicans in the governor's seat for the last decade—William Weld, Paul Cellucci, and Jane Swift—it would be a stretch to call any of them conservatives.

A year and a half ago, though, Mitt Romney, a Mormon venture capitalist who lost a close race against Ted Kennedy for his Senate seat in 1994, won the keys to the governor's mansion. Now as the country peers at Massachusetts as the home of the Democratic Presidential nominee and the flashpoint in the gay marriage wars, Americans will find something surprising: a governor who could actually pass for a Republican outside of the Commonwealth.

Romney didn't campaign on the abortion issue, and though he is certainly religious he tried to keep his faith out of the debates. But he proclaimed his stance against gay marriage from the beginning, and has stuck with it, endorsing an amendment to the state constitution prohibiting the practice. He has subsequently suggested that a federal amendment may be the best option. "Contrary to the [Massachusetts supreme] court's opinion, marriage is not 'an evolving paradigm,'" Romney wrote recently. "It is deeply rooted in the history, culture, and tradition of civil society. It predates our Constitution and our nation by millennia. The institution of marriage was not created by government and it should not be redefined by government."

Romney has credentials as a fiscal conservative as well. The economic record of past Republican governors in Massachusetts has been a mixed bag, at best. Weld balanced a budget left deep in the red by his predecessor Michael Dukakis, but state spending increased 25 percent between 1992 and 1996—two and a half times the inflation rate.

In his brief time in office Romney has managed to close a $650 million budget gap while avoiding any new taxes. And he has shunned the dealmaking of his predecessors. The legislature granted him greater budget-cutting powers in return for what they assumed would be his agreement to let the House Speaker add committees and increase the pay of some cronies. But Romney refused.

Just as Romney successfully cleaned up the corruption at the Salt Lake City Olympics in 2002, one of his first moves as governor was to push former longtime Massachusetts Senate President Billy Bulger out of his sinecure as president of UMass. Romney found it inappropriate that a man aiding his fugitive brother—Whitey Bulger, wanted by the FBI for 19 murders—should occupy such a position.

Indeed, Romney sat out the black-tie tribute gala for Bulger last month. Bill Weld acted as master of ceremonies.

—**Naomi Schaefer** *is a* TAE *contributing writer and native Massachusan.*

DRUNKEN SCHOOL SPENDING

Democrats vehemently accuse George W. Bush of not spending enough money on education. Presidential hopeful John Kerry declares in his book *A Call to Service* that the Bush administration has "undermined education funding as part of a larger strategy of directing every available school dollar toward tax cuts for the wealthiest Americans." The Bush team has responded by bragging about its generosity, and berating states for leaving $6 billion in federal education aid unspent.

Since 2001, the federal Department of Education's discretionary budget authority has increased by 39 percent. The main program providing federal dollars to schools serving poor children (called Title I) has grown by 52 percent. Title I spending increased more in the first two years of the Bush administration than during the previous seven years under President Clinton.

The reality is, American schools are plenty well-funded. Education spending in

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the U.S. more than tripled between 1960 and 2000. The Organization for Economic Cooperation and Development reports that the U.S. spends significantly more on education than any other nation. On a per-pupil basis, the United States spent 66 percent more than Germany, 56 percent more than France, 27 percent more than Japan, 80 percent more than the United Kingdom, and 122 percent more than South Korea for elementary education. High school figures were similar.

Despite all our spending, America ranked 15th among the 31 countries that participated in the OECD's latest reading exam, and 19th of 38 countries in the math exam. Most troubling is that U.S. standing actually deteriorates as students spend more time in school.

Americans are actually spending even more on schools than we think. The accounting guidelines that public schools use would bring smiles to an Enron auditor. Unlike private-sector businesses, public school bookkeeping systems exclude from "current expenditures" such major costs as property acquisition and capital construction.

UCLA business professor Bill Ouchi has calculated that debt service, school construction, and renovation added $2,298 per pupil to the $11,994 in official current expenditures that New York City reported in 2002. That means the district actually spent upwards of $14,000 per student. In Los Angeles, the true per pupil cost in 2002 was $13,074, compared to the reported $6,740.

Just from 1995 to 2004, U.S. public education spending grew by more than 53 percent—from $287 billion to more than $440 billion. Schools have been hiring more employees, and offering more generous salaries and more opulent benefits. As a result, public school personnel costs are out of control—even outpacing the sharp growth in school revenue.

Schools have avoided cutting fat even as other organizations have slimmed down. Many of the new hires are not even teachers; today there is one support staff member for every teacher in the U.S.; in 1950 the ratio was 0.4:1.

Dismissing concerns of money waste, many educators insist that until they get yet more money, they cannot be held responsible for results. Ken Baker, principal at Wyoming High School in Cincinnati, complained last year: "We're supposed to drive all the kids toward success, and we have to do it with one hand behind our backs.... There are going to be students left behind." (In 2002, the Cincinnati school district spent $10,328 per pupil.)

Until we rethink how we apply our education dollars, boosting expenditures is little more than a costly recipe for papering over problems and avoiding needed reforms. We should not allow any further increases in spending on schools until we see proof that money is being spent effectively. Unfortunately, the President and his team have permitted today's conversation to be framed so that they find themselves bragging how much they have spent as their way of proving their commitment to good schools. But spending like drunken sailors is no way to promote needed change.

—**Frederick Hess** *is author of two new books:* A Qualified Teacher in Every Classroom? *and* Common Sense School Reform.

LITTLE OLD EUROPE

Germany's Federal Statistics Office announced in April that the number of deaths in the country exceeded the number of births again last year. The figures for 2003:

German deaths 858,000
German births 715,000
Natural decline 143,000

By the middle of this century, the German population will have lost 8 million people, projections show. And half of all Germans will be over 50.

SECOND CLASS CITIZENS?

In February, the Supreme Court decreed that states can withhold taxpayer-funded scholarships from theology students. The 7-2 decision in *Locke v. Davey* concerned college student Joshua Davey, who was awarded a Washington state Promise Scholarship, but then lost it once the state discovered his double major in business and theology.

The government does not "require students to choose between their religious beliefs and receiving a government benefit," argued the Court. It has "merely chosen not to fund a distinct category of instruction." But Justice Antonin Scalia's dissenting opinion argued that "this case is about discrimination against a religious minority."

Patrick Gillen, a Thomas More Law Center attorney representing a Michigan student majoring in theology in a similar case yet to be decided by the courts, argues that state denials of scholarships undermine religious freedom. "The First Amendment was designed to prevent government from discriminating against citizens based on their religious activity and speech. Michigan's decision to strip students of competitive scholarship funds if they choose to major in theology turns the First Amendment on its head and makes the state the enemy of religion."

Our founding fathers saw religion and government as working in tandem to create a better society, and created Constitutional safeguards expressly to protect religious freedoms within the state. Contemporary courts have expressed toleration of countless newfound orientations. Will they leave room in the public square for Americans choosing to pursue religious education?

—**Loredana Vuoto** *is assistant national editor at the* Washington Times.

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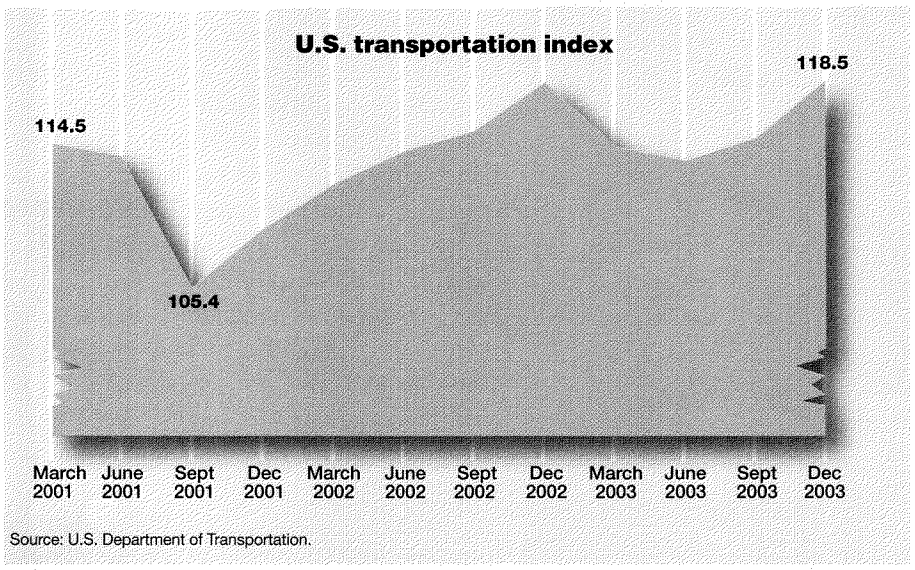
By Karl Zinsmeister and Eli Lehrer

Indicators

CHARTING THE 9/11 RECOVERY

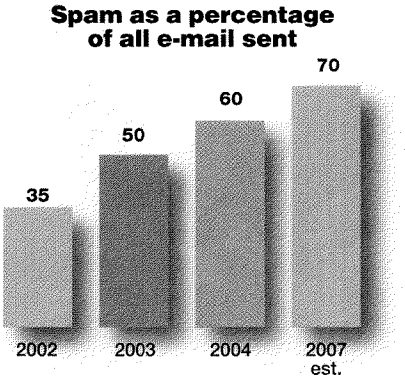
The federal government's transportation services index (which measures for-hire transportation such as freight shipping and airline travel) took a sharp dip after the 9/11 terror attacks, as air traffic collapsed, and the attack-related economic downturn depressed shipping. But the U.S. economy showed great resilience in the quarters following 9/11, as the figures below show. By December 2003, U.S. transportation activity had hit an all-time high.



Source: U.S. Department of Transportation.

SPAM BAM

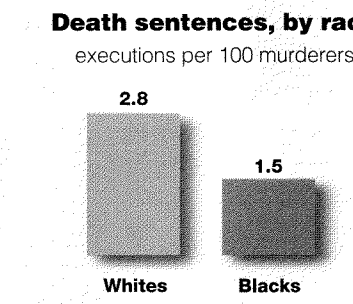
Despite technology that prevents about 80 percent of all such dispatches from being delivered, spam, or unsolicited commercial e-mail, has become a major problem for many Internet users. Reflecting the rising frustration, three large Internet companies—Microsoft, Yahoo, and AOL—sued a number of spammers in early 2004 under new laws intended to limit unsolicited commercial e-mail. Nearly all experts believe, however, that spam's prevalence will continue to grow. Sending out unsolicited e-mail is essentially free, so even an infinitesimal response rate can be lucrative.

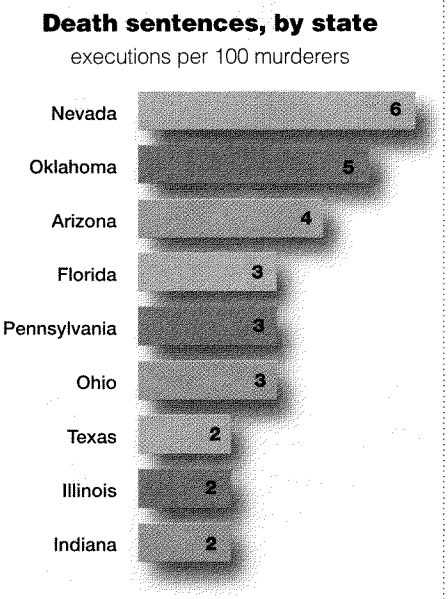


Source: Microsoft, The Gartner Group.

DEAD WRONG

Conventional wisdom on the Left holds that the death penalty is a) racist, and b) applied with particular zeal in the state of Texas. A new study in the *Journal of Empirical Legal Studies* disproves both pieces of conventional wisdom. Three Cornell professors (death penalty opponents) find that, actually, "black representation on death row is lower than black representation in the population of murder offenders." And to top it all, they find that "Texas's death sentence rate is below the national mean." Not only is the Lone Star state not # 1 in capital punishment of its murderers, it is *below average*.





Source: *Journal of Empirical Legal Studies*, No. 1, 2004.

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"Live" with TAE

He founded one of America's iconic companies: FedEx. He's also a kind of Forrest Gump figure of American politics—wounded in Vietnam after spending his college years as a pal of both George W. Bush and John Kerry. A voracious reader, he's a businessman who can roam effortlessly over subjects ranging from history to technology.

Frederick Smith

While attending Yale in the mid 1960s, Fred Smith wrote a paper on the computerized era's need for reliable overnight delivery. He received a C grade, but the idea remained with him. He went on to serve for four years in the U.S. Marine Corps, including two tours in Vietnam, where he earned a Purple Heart. After leaving the Marines in 1970 he began working on a new company he dubbed Federal Express.

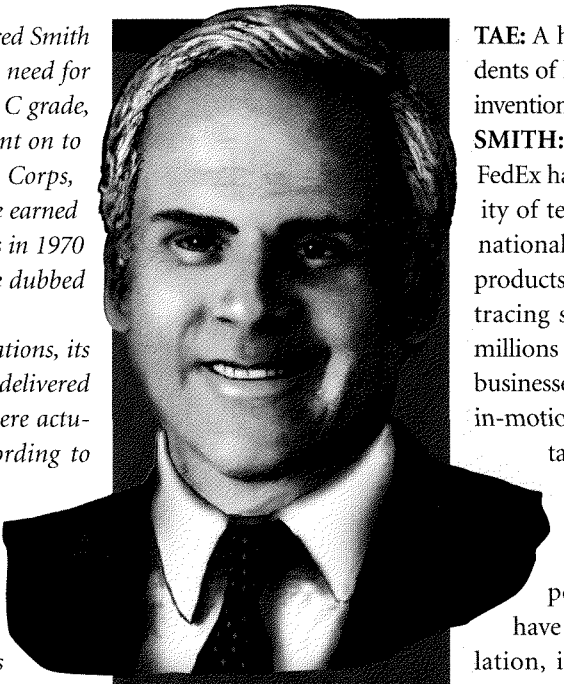
On the company's first night of operations, its 389 employees and fleet of 14 small jets delivered 186 packages ("half of which, I think, were actually sent by our own sales force," according to Smith). After nearly going bankrupt, the company took off, and now delivers almost 2 billion packages every year in 215 countries.

In the process, FedEx has changed America and the global economy. Studies show that about 40 percent of U.S. economic activity is now conducted on a fast-cycle, or "just in time," basis—which would not be possible without overnight deliveries.

Smith recognized that in addition to transportation, he was selling knowledge—about the exact location and delivery time of his high-priority packages—so his company has been one of the most technologically advanced firms in the world since its founding, pioneering the use of everything from hand-held computers to satellite transponders on delivery trucks. Smith also anticipated the importance of certainty—which is why he offered his company's famous guarantee of a full refund for a delivery not made on time.

The result? Memphis, Tennessee—FedEx's biggest hub—has become one of the largest ports in America for international imports and exports.

In late March, Fred Smith was interviewed for The American Enterprise *by California journalist Michael Robinson.*



We're like plumbers or house cleaners —we're inside every company in America. It's interesting and a lot of fun.

TAE: A hundred years from now, what will students of history read about the impact of FedEx's invention of the overnight delivery industry?

SMITH: There are several important things FedEx has done. The first was to change the ability of technology-based industries to sell on a national basis and to supply and support their products. Second, we developed our tracking and tracing system that let us know exactly where millions of items are every day. This has allowed businesses and individuals to manage important in-motion inventory with the same degree of certainty as if you had it in a warehouse.

The last thing we did is something that's hardly ever written about: Had it not been for FedEx, a lot of transportation deregulation would never have taken place. The first round of deregulation, in 1977, was for air cargo, which we championed. After that came air passengers, and then, probably most importantly, interstate surface transportation in 1980.

The results have been nothing short of incredible. In 1980, logistics expenses—the costs of transporting goods, warehousing inventories, paying interest on that inventory—were about 16 percent of U.S. gross domestic product. Today, those same costs are well south of 10 percent of GDP. Much of the economic progress we've seen over the last generation is a result of the deregulation of transportation markets. Had that not occurred, Dell Computer couldn't have put its business model in place. Wal-Mart would not have been the phenomenon it has become.

Last Christmas season, the U.S. had its lowest inventory-to-sales ratio in history—which means we don't have those enormous, inventory-led business corrections that put us in recession every few years. Our economy is now able to correct from bust to boom much more quickly.

Illustration by Paul Loughran

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TAE: You've predicted that by 2020 something like 80 percent of all manufactured goods will be crossing national borders. Given this enormous tide of international trade, what do you think about today's outcry against growing globalization?

SMITH: Human prosperity is a result of the application of economic ingenuity to increasingly bigger markets. That's a constant, whether you're talking about the growth of Great Britain in the eighteenth and nineteenth centuries or about post-World War II America. As part of this, jobs are going to migrate to new places. There's not much difference in today's phenomenon than there was when textiles moved from Worcester, Massachusetts down to South Carolina, and then to the Caribbean, and then to the Orient. The naysayers are just not historically well-founded. A hundred years ago more than half the people in the United States worked in agriculture. Now it's 2 percent, and we're producing so much food that our biggest problem is obesity, for gosh sakes. Of course it's not easy if you're one of the people whose job is subject to competition elsewhere. But that's always been an issue.

TAE: The issue of outsourcing jobs overseas was big in the 1980s, especially in the auto industry. It's taken on a new momentum now, with jobs many people considered too high value to move offshore (for instance in the tech industry) now leaving. Is this comparable with the shift of agricultural and industrial jobs in earlier eras?

SMITH: At the end of the day, there's not a credible, highly regarded economist who doesn't believe that the benefits of open markets and free trade vastly outweigh the localized negatives. Going back to the example of the auto industry, what happened? U.S. manufacturers had to re-tool and re-engineer, and today U.S. automobiles are ranked among the highest quality automobiles in the world again. And guess what? The Japanese and Germans now operate many plants in the United States that employ tens of thousands of Americans. The blue-collar jobs that were displaced and then re-created by free trade in the auto industry were every bit as high-paying as many of the software jobs that are now being done in India and elsewhere. It's just deja vu all over again.

TAE: Why do you believe that markets should remain free?

Much of the economic progress over the last generation is a result of transportation deregulation. In 1980, the costs of transporting and warehousing goods were about 16 percent of GDP. Today, those same costs are well south of 10 percent.

SMITH: Because the alternative isn't viable. On what basis do you manage the market? What's the moral or legal justification for it? Why should an American citizen who can buy clothing at Wal-Mart for significantly less be obliged to pay more to someone in the Carolinas to make clothing? There's no sensible regime that you could manage.

TAE: FedEx earnings have been strong in recent quarters. What does the FedEx barometer say about the current state of the U.S. economy?

SMITH: I think the U.S. economy is in the midst of a strong recovery. That includes, for the first time in a while, growth in the U.S. export sector. And there is clearly strong momentum in the domestic market, owing to the stimulative effect of lower tax rates, a washout of the overhanging excess capacity that built up during the dot-com era, and today's historically low interest rates. There's continued improvement in the earnings of the employed, the number of which in absolute terms continues to grow. There are about one and a half million more people employed in the spring of '04 than there were in the fall of '02. Job growth hasn't risen back up to the heights of the dot-com era, but a lot of those positions simply were not real jobs to begin with.

TAE: You've been a long-time student of technology and its impact. What are some important trends you see looming on the horizon five or ten years from now, and what effects will they have on society and business?

SMITH: Well, I think video travel is going to become much more prevalent. Many times when I'm in our Washington office, I conduct our weekly management meeting by video. We're going to see very profound changes as a result of the elimination of time, space, and the need to travel for business. Second, the medical revolution as a result of mapping the genome and growth of biotechnology is going to shock everyone. And there will be major changes in the way power is generated for transportation, industry, and residences that will have a big effect on the world.

TAE: What is your view of unions in terms of their tendency to oppose outsourcing jobs, and what is their role, if any, in the new economy?

SMITH: Anybody who says the union movement wasn't a big part of this country's economic power a century ago is not being honest. But the problem with unions recently has been that they

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simply have not changed the way every other institution in the country has. They continue to try to deal with issues like globalization in the political arena rather than in the economic arena. That's a prescription for declining influence—just what's happened to them. Their market share has gone down from about 35 percent right after World War II to 12 or 13 percent of the workforce today. And if you take out government, it's down to about 8 percent. If you were managing a company that had that kind of decline, you'd have to ask yourself if perhaps your product isn't what the market wants.

Over time, people who run businesses came to understand that a motivated and a committed workforce is worth a lot in terms of competitive advantage and profitability. So many of the things that modern corporations do obviate the need for a third party getting between the corporation and its employees and customers. One problem of the modern union movement is that customers are often taken for granted and treated as a distraction, when, in fact, they're everything.

TAE: You're one of the great entrepreneurial success stories in modern America, having started from scratch a company that has grown to occupy a position right at the heart of our economy. Many entrepreneurs fare poorly when their company grows large and their role becomes more administrative than creative. How have you avoided this?

SMITH: I suppose it's because this company is a very, very interesting entity. It sits in the middle of so many fascinating developments—the growth in high technology, advanced pharmaceuticals, international trade. We're the ones who make it all possible. If you want semiconductors from Taiwan, we'll pick them up this afternoon and deliver them to any address in the United States, customs cleared, the next business morning. We see everybody. We're like plumbers or house cleaners—we're inside every company in America. It's interesting and a lot of fun.

I don't think being an entrepreneur and a good manager have to be mutually exclusive. A good analogy might be the idea that you can't be a good athlete and also become a good general manager. That's been proven to be wrong so many times it's not even funny. Often, entrepreneurs won't stay with a company as it grows large, but there have been an awful lot who did, and did well.

The U.S. economy is in the midst of a strong recovery. That includes, for the first time in a while, growth in the U.S. export sector.

TAE: You did two tours in Vietnam. Has there been an accurate book that reflects your view of the war?

SMITH: There's been so much nonsense written about Vietnam. A hundred years from now, the history books will be quite different than what the conventional wisdom is today. That war could have been won, there's no question in my mind about that. The Marine Corps approach in Vietnam—local counterinsurgency through the Combined Action Platoons—was the correct one. That, combined with the strategic use of force up north, would certainly have brought the situation in South Vietnam to the same place as Korea, had it been pursued. To have contrary nonsense floating around is not very productive. What you would have had today is South Vietnam where all the lights are on, and a North Vietnam which looks black, just like in those nighttime satellite photos of Korea.

I have a great perspective on what Asia (where we do huge business) is like today compared to when I first went there as a young man, courtesy of the U.S. government. There's no question there would have been a domino effect if the United States hadn't taken a stand in Vietnam. Maybe the Bamboo Curtain would have fallen quicker than the Iron Curtain, I don't know. But I can tell you one thing, you would have to be deaf, dumb, and blind to have been in Singapore, Taiwan, Hong Kong, the Philippines, and Japan as I was in the mid 1960s and not be impressed by the unbelievable improvements in well-being since then. This progress was the result of an open, market-based system, and Southeast Asia might have missed it had we not made a statement in Vietnam.

TAE: How would you assess the American military operation in Iraq versus how things went in Vietnam?

SMITH: The improvements in the American military as evidenced by the Gulf War and Operation Iraqi Freedom are built on the shoulders of a lot of officers who were junior officers as I was in Vietnam. Young officers, including Colin Powell, General Schwarzkopf, General Franks, and others built a new military around some very sound leadership and management principles, including moving to an all-volunteer force, keeping units together rather than using

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the rotation system, and then combining that with the most incredible application of modern technologies you can imagine. That combination has proven to be without precedent, probably of any organization of any type. The capabilities our military has are head and shoulders above any comparable organization. There's really no parallel in the corporate world.

TAE: How do you view the Iraq war?

SMITH: The decision on Iraq was a very tough call. But people forget that the Congress of the United States passed an act in 1998 that essentially called for regime change in Iraq because of the danger that Saddam Hussein presented to the world. With the post 9/11 prism applied to the issue, and the almost universal agreement among the intelligence services that that regime was dangerous, I don't see how the President could have made any other decision. I don't see how the United States, after suffering the largest attack in its history, could have simply ignored the intelligence that it was receiving and take the chance of not acting.

TAE: How good a leader is George Bush?

SMITH: Well, you know, I'm sort of the Forrest Gump of American politics. President Bush and I were in the same fraternity at Yale, and John Kerry was one of my best friends at Yale. So I know both of them quite well and like both of them, although my politics are much closer to President Bush's than John Kerry's. John Kerry is certainly not the patrician and stiff person that he's been portrayed as. But I think the President has made some very, very difficult decisions, and has been steadfast in his convictions. You can disagree with him, but I don't think you can fault him for leadership. I think he has been very upfront, including about the weapons of mass destruction. He said, "Look, we were acting on the best intelligence we had." And as a junior officer in the Marine Corps, including right before the Tet Offensive, I saw intelligence estimates that ended up being just incredibly off. But you have to act on the intelligence.

TAE: What are your recollections of John Kerry?

SMITH: John was always a political person, from the first time I met him as a sophomore. He was involved in the Yale Political Union. He was an outstanding debater. He gave our class talk at graduation, which was ambivalent about the Vietnam build-up going on at that time.

President Bush and I were in the same fraternity at Yale, and John Kerry was one of my best friends at Yale. So I know both of them quite well.

Meanwhile, the President was a very likable guy, very smart—contrary to his depiction in the press as someone who is not bright. But George Bush was not as overtly interested in politics at that stage in life.

Both of them are good men, and both of them are intelligent. I think the President has a more clear-eyed view of what he believes must be done. I think John's position, partially based on his constituency and his party, doesn't reflect reality. It's all well and good to say we should have these coalitions and go to the U.N., but the record is pretty stark as to the ability of that course of action to really do much. When you have countries like Libya chairing the human rights section of the United Nations, there's a fundamental defect in the design.

Last summer I was in Paris at a symposium of the French-American Business Council, and the United States was really getting a tongue lashing from a French journalist. He was talking about the United Nations this, and the United Nations that. I've studied the U.N. charter carefully, and I pointed out to him that the U.N. specifically allows a country to defend itself when it believes it is in danger.

TAE: You obviously read a lot. How much?

SMITH: Well, I enjoy reading both books and periodicals immensely. I read a number of newspapers every day—the *Wall Street Journal*, the *New York Times*, the *Financial Times*, *Investor's Business Daily*, our local paper, the *Washington Post* online. I read a lot of industry publications and three business magazines. I read an awful lot off the Internet. And I try to read a book or two every week.

TAE: What book most recently?

SMITH: *20:21 Vision: Twentieth-Century Lessons for the Twenty-first Century* by Bill Emmott, the editor in chief of *The Economist*. Basically, he talks about the two fundamental questions: Will America continue to maintain stability in the world through its military prowess? And will the capitalist system survive all of the assaults that are continuously made on it? It's a very good book.

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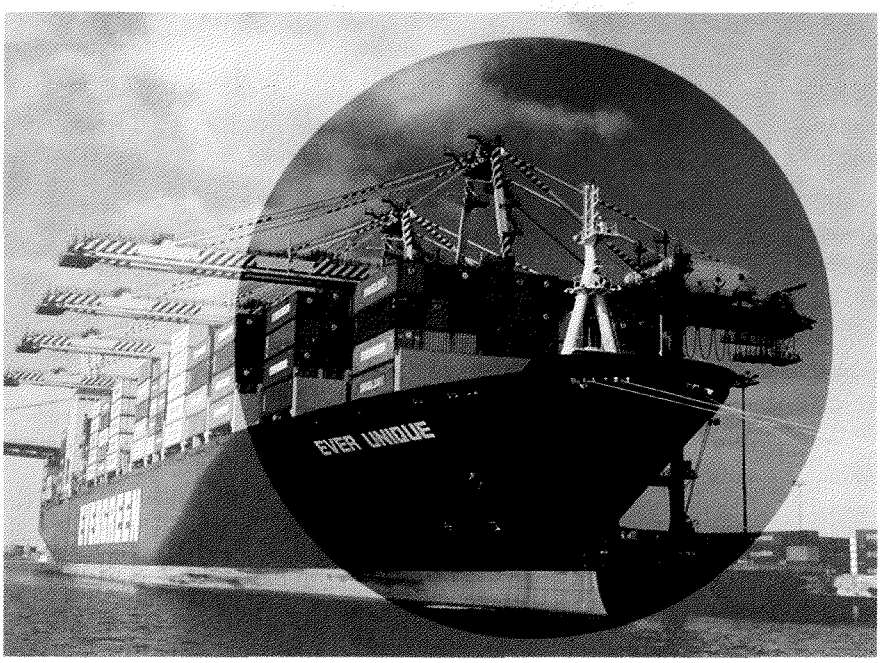
Three Cheers for Global Capitalism

BY JOHAN NORBERG



Newscom.com/Reuters Photo Archive

Under what is rather barrenly termed "globalization"—the process by which people, information, trade, investments, democracy, and the market economy tend more and more to cross national borders—our options and opportunities have multiplied. We don't have to shop at the big local company; we can turn to a foreign competitor. We don't have to work for the village's one and only employer; we can seek alternative opportunities. We don't have to make do with local cultural amenities; the world's culture is at our disposal. Companies, politicians, and associations have to exert themselves to elicit interest from people who have a whole world of options. Our ability to control our own lives is growing, and prosperity is growing with it.

Free markets and free trade and free choices transfer power to individuals at the expense of political institutions. Because there is no central control booth, it seems unchecked, chaotic. Political theorist Benjamin Barber speaks for many critics when he bemoans the absence of "viable powers of opposing, subduing, and civilizing the anarchic forces of the global economy." "Globalization" conjures up the image of an anonymous, enigmatic, elusive force, but it is actually just the sum of billions of people in thousands of places making decentralized decisions about their own lives. No one is in the driver's seat precisely because all of us are steering.

No company would import goods from abroad if we didn't buy them. If we did not send e-mails, order books, and download music every day, the Internet would wither and die. We eat bananas from Ecuador, order magazines from Britain, work for export companies selling to Germany and Russia, vacation in Thailand, and save money for retirement by investing in South America and Asia. These things are carried out by businesses only because we as individuals want them to. Globalization takes place from the bottom up.

A recent book about the nineteenth-century Swedish historian Erik Geijer notes that he was able to keep himself up to date just by sitting in Uppsala reading the *Edinburgh Review* and the *Quarterly Review*. That is how simple and intelligible the world can be when only a tiny elite in the capitals of Europe makes any difference to the course of world events. How much more complex and confusing everything is now, with ordinary people having a say over their own lives. Elites may mourn that they have lost power, but everyday life has vastly improved now that inexpensive goods and outside information and different employment opportunities are no longer blocked by political barriers.

To those of us in rich countries, more economic liberty to pick and choose may sound like a trivial luxury, even an annoyance—but it isn't. Fresh options are invaluable for all of us. And the existence from which globalization delivers people in the Third World—poverty, filth, ignorance, and powerlessness—really is intolerable. When global capitalism knocks at the door of Bhagant, an elderly agricultural worker and "untouchable" in the Indian village of Saijani, it leads to his house being built of brick instead of mud, to shoes on his feet, and clean clothes—not rags—on his back. Outside Bhagant's house, the streets now have drains, and the fragrance of tilled earth has replaced the stench of refuse. Thirty years ago Bhagant didn't know he was living in India. Today he watches world news on television. The stand that we in the privileged world take on the burning issue of globalization can determine whether or not more people will experience the development that has taken place in Bhagant's village.

Critics of globalization often paint a picture of capitalist marauders secretly plotting for world mastery, but this notion is

Researcher Johan Norberg's books include In Defense of Global Capitalism, *which was published in English in September 2003.*

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completely off the mark. It has mostly been pragmatic, previously socialist, politicians who fanned globalization in China, Latin America, and East Asia—after realizing that government control-freakery had ruined their societies. Any allegation of runaway capitalism has to be tempered by the observation that today we have the largest public sectors and highest taxes the world has ever known. The economic liberalization measures of the last quarter century may have abolished some of the recent past's centralist excesses, but they have hardly ushered in a system of laissez-faire.

Globalization makes an excellent scapegoat for politicians.

What defenders of global capitalism believe in, first and foremost, is man's capacity for achieving great things by means of the combined force of market exchanges. It is not their intention to put a price tag on everything. The important things—love, family, friendship, one's own way of life—cannot be assigned a monetary value. Principled advocates of global economic liberty plead for a more open world because that setting unleashes individual creativity as none other can. At its core, the belief in capitalist freedom among nations is a belief in mankind.

People have a natural tendency to believe that everything is growing worse, and that things were better in the "old days." In 1014, Archbishop Wulfstan of York declared, "The world is in a rush and is getting close to its end."

Today, we hear that life is increasingly unfair amidst the market economy: "The rich are getting richer, and the poor are getting poorer." But if we look beyond the catchy slogans, we find that while many of the rich have indeed grown richer, so have most of the poor. Absolute poverty has diminished, and where it was greatest 20 years ago—in Asia—hundreds of millions of people have achieved a secure existence, even affluence, previously undreamed of. Global misery has diminished, and great injustices have started to unravel.

One of the most interesting books published in recent years is *On Asian Time: India, China, Japan 1966-1999*, a travelogue in which Swedish author Lasse Berg and photographer Stig Karlsson describe their visits to Asian countries during the 1960s. They saw poverty, abject misery, and imminent disaster. Like many, they could not bring themselves to hold out much hope for the future, and they thought that socialist revolution might be the only way out. Returning to India and China in the 1990s, they could not help seeing how wrong they were. More and more people have extricated themselves from poverty; the problem of hunger is steadily diminishing; the streets are cleaner. Squalid huts have given way to buildings wired for electricity with TV antennas on their roofs.

When Berg and Karlsson first visited Calcutta, fully one tenth of its inhabitants were homeless, and every morning trucks were sent by the public authorities or missionary societies to collect the bodies of those who had died in the night. Thirty years later, setting out to photograph people living on the streets, they had difficulty in *finding* such people. The rickshaw was disappearing from the urban scene, with people traveling by car, motorcycle, and subway instead.

When Berg and Karlsson showed young Indians photographs from the 1960s, they refused to believe it was even the same place. Could things really have been so dreadful? A striking illustration of the change is provided by a pair of photographs in their book. In the old picture, taken in 1976, a 12-year-old Indian girl named Satto holds up her hands. They are already furrowed and worn, prematurely aged by many years' hard work. The new picture shows Satto's 13-year-old daughter Seema, also holding up her hands. They are smooth and soft, the hands of a girl whose childhood has not been taken away from her.

The biggest change of all is in people's thoughts and dreams. Television and newspapers bring ideas and images from the other side of the globe, widening people's notions of the possible. Why make do with this kind of government when there are alternative political systems available?

Lasse Berg writes, self-critically:

> Reading what we observers, foreigners as well as Indians, wrote in the '60s and '70s, nowhere in these analyses do I see anything of present-day India. Often nightmare scenarios—overpopulation, tumult, upheaval or stagnation—but not this calm and steady forward-jogging, and least of all this modernization of thoughts and dreams. Who foresaw that consumerism would penetrate so deeply in and among the villages? Who foresaw that both the economy and general standard of living would do so well? Looking back, what the descriptions have in common is an overstatement of the extraordinary, frightening uncertainty, and an understatement of the force of normality.

Note that all of the dramatic development described by Berg has resulted from sharp moves over the past few decades toward international capitalism and trade.

This progress is all very well, many critics of globalization will argue, but even if the majority are better off, gaps have widened and wealthy people and countries have improved their lot more rapidly than others. The critics point out that 40 years ago the combined per capita GDP of the 20 richest countries was 15 times greater than that of the 20 poorest, and is now 30 times greater.

There are two reasons why this objection to globalization does not hold up. First, if everyone is better off, what does it matter that the improvement comes faster for some than for others? Only those who consider wealth a greater problem than poverty can find irritation in middle-class citizens becoming millionaires while the previously poverty-stricken become middle class.

Second, the allegation of increased inequality is simply wrong.

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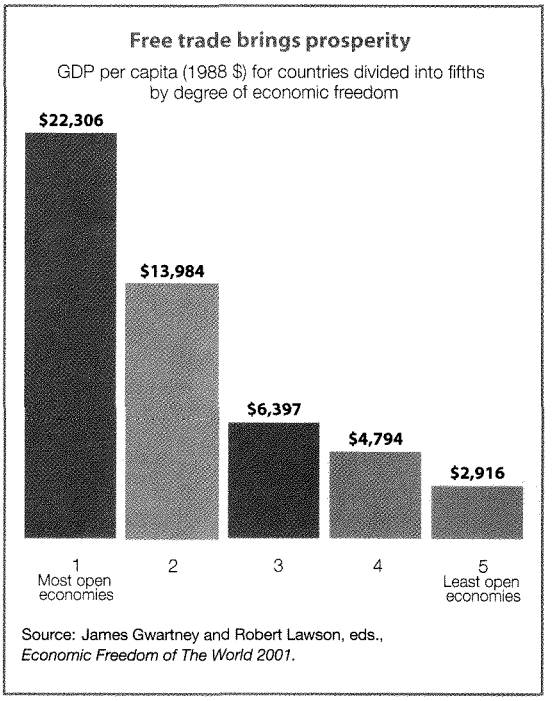
The notion that global inequality has increased is largely based on figures from the U.N.'s 1999 *Human Development Report*. The problem with these figures is that they don't take into account what people can actually buy with their money. Without that "purchasing power" adjustment, the figures only show what a currency is worth on the international market, and nothing about local conditions. Poor people's actual living standards hinge on the cost of their food, their clothing, their housing—not what their money would get them while vacationing in Europe. That's why the U.N. uses purchasing-power-adjusted figures in other measures of living standards. It only resorts to the unadjusted figures, oddly, in order to present a theory of inequality.



A report from the Norwegian Institute for Foreign Affairs investigated global inequality by means of figures adjusted for purchasing power. Their data show that, contrary to conventional wisdom, inequality between countries has continuously *declined* ever since the end of the 1970s. This decline has been especially rapid since 1993, when globalization really gathered speed.

More recently, similar research by Columbia University development economist Xavier Sala-i-Martin has confirmed those findings. He found that when U.N. figures are adjusted for purchasing power, they point to a sharp decline in world inequality. Sala-i-Martin and co-author Surjit Bhalla also found independently that if we focus on inequality between *persons*, rather than inequality between *countries*, global inequality at the end of 2000 was at its lowest point since the end of World War II.

Estimates that compare countries rather than individuals, both authors note, grossly overestimate real inequality because they allow gains for huge numbers of people to be outweighed by losses for far fewer. For instance, country aggregates treat China and Grenada as data points of equal weight, even though China's population is 12,000 times Grenada's. Once we shift our focus to people rather than nations, the evidence is overwhelming that the past 30 years have witnessed a strong shift toward global equalization.

One myth about trade is the notion that exports to other countries are a good thing, but that imports are somehow a bad thing. Many believe that a country grows powerful by selling much and buying little. The truth is that our standard of living will not rise until we use our money to buy more and cheaper things. One of the first trade theorists, James Mill, rightly noted in 1821 that "The benefit which derives from exchanging one commodity for another arises in all cases from the commodity *received*, not the commodity given." The only point of exports, in other words, is to enable us to get imports in return.

The absurdity of the idea that we must avoid cheap imports becomes clear if we imagine it applied to non-national boundaries. If imports really were economically harmful, it would make sense for one city or state to prevent its inhabitants from buying from another. According to this logic, Californians would lose out if they bought goods from Texas, Brooklyn would gain by refusing to buy from Manhattan, and it would be better for a family to make everything itself instead of trading with its neighbors. It's obvious that such thinking would lead to a tremendous loss of welfare: The self-sufficient family would be hard pressed just to keep food on the table. When you go to the store, you "import" food—being able to do so cheaply is a benefit, not a loss. You "export" when you go to work and create goods and services. Most of us would prefer to "import" so cheaply that we could afford to "export" a little less.

Trade is not a zero-sum game in which one party loses what the other party gains. There would *be* no exchange if both parties did not feel that they benefited. The really interesting yardstick is not the "balance of trade" (where a "surplus" means that we are exporting more than we are importing) but the *quantity* of trade, since both exports and imports are gains. Imports are often feared as a potential cause of unemployment: If we import cheap toys and clothing from China, then toy and garment manufacturers here will have to scale down. But by obtaining cheaper goods from abroad, we save resources in the United States and can therefore invest in new industries and occupations.

Free trade brings freedom: freedom for people to buy and sell what they want. As an added benefit, this leads to the efficient use of resources. A company, or country, specializes where it can generate the greatest value.

Economic openness also leads to an enduring effort to improve production, because foreign competition forces firms to be as good and cheap as possible. As production in established industries becomes ever more efficient, resources are freed up for investment in new methods, inventions, and products. Foreign competition brings the same benefits that we recognize in economic competition generally; it simply extends competition to a broader field.

One of the most important but hard to measure benefits of free trade is that a country trading a great deal with the rest of the world imports new ideas and new techniques in the bargain. If the United States pursues free trade, our companies are exposed to the world's best ideas. They can then borrow those ideas, buy leading technology from elsewhere, and hire the best available man-

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power. This compels the companies to be more dynamic themselves.

The world's output today is six times what it was 50 years ago, and world trade is 16 times greater. There is reason to believe that the trade growth drove much of the production growth. One comprehensive study of the effects of trade was conducted by Harvard economists Jeffrey Sachs and Andrew Warner. They examined the trade policies between 1970 and 1989 of 117 countries. The study reveals a statistically significant connection between free trade and economic growth. Growth was between three and six times *higher* in free-trade countries than in protectionist ones. Factors like improved education turned out to be vastly less important than trade in increasing economic progress.

Over those two decades, developing countries that practiced free trade had an average annual growth rate of 4.5 percent, while developing countries that practiced protectionism grew by only 0.7 percent. Among industrial countries, the free traders experienced annual growth of 2.3 percent, versus only 0.7 percent among the protectionists. It must be emphasized that this is not a matter of countries earning more because *others* opened to *their* exports. Rather, these countries earned more by keeping their own markets open.

If free trade is constantly making production more efficient, won't that result in the disappearance of job opportunities? When Asians manufacture our cars and South Americans produce our meat, auto workers and farmers in the United States lose their jobs and unemployment rises. Foreigners and developing countries will increasingly produce the things we need, until we don't have any jobs left. If increasing automation means everything we consume today will be able to be made by half the U.S. labor force in 20 years, doesn't that mean that the other half will be out of work? Such are the horror scenarios depicted in many anti-globalization writings.

The notion that a colossal unemployment crisis is looming began to grow popular in the mid 1970s. Since then, production has been streamlined and internationalized more than ever. Yet far more jobs have been created than have disappeared. We have more efficient production than ever before, but also more people at work. Between 1975 and 1998, employment in countries like the United States, Canada, and Australia rose by 50 percent.

And it is in the most internationalized economies, making the most use of modern technology, that employment has grown fastest. Between 1983 and 1995 in the United States, 24 million more job opportunities were created than disappeared. And those were not low-paid, unskilled jobs, as is often alleged. On the contrary, 70 percent of the new jobs carried a wage above the American median level. Nearly half the new jobs belonged to the most highly skilled, a figure which has risen even more rapidly since 1995.

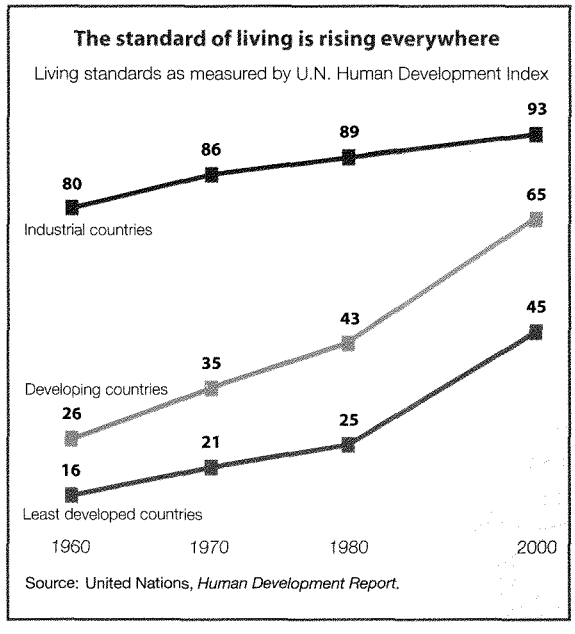
So allegations of progressively fewer people being needed in production have no empirical foundation. And no wonder, for they are wrong in theory too. Imagine a pre-industrial economy where most everyone is laboring to feed himself. Then food production is improved by new technologies, new machines, foreign competition, and imports. That results in a lot of people being forced to leave the agricultural sector. Does that mean there is nothing for them to do, that consumption is constant? Of course not; the manpower which used to be required to feed the population shifts to clothing it, and providing better housing. Then improved transport, and entertainment. Then newspapers, telephones, and computers.

The notion that the quantity of employment is constant, that a job gained by one person is always a job taken from someone else, has provoked a variety of foolish responses. Some advocate that jobs must be shared. Others smash machinery. Many advocate raising tariffs and excluding immigrants. But the whole notion is wrong. The very process of a task being done more efficiently, thus allowing jobs to be shed, enables new industries to grow, providing people with new and better jobs.

Efficiency does, of course, have a flip side. Economist Joseph Schumpeter famously described a dynamic market as a process of "creative destruction," because it destroys old solutions and industries, with a creative end in view. As the word "destruction" suggests, not everyone benefits from every market transformation in the short term. The process is painful for those who have invested in or are employed by less-efficient industries. Drivers of horse-drawn cabs lost out with the spread of automobiles, as did producers of paraffin lamps when electric light was introduced. In more modern times, manufacturers of typewriters were put out of business by the computer, and LP records were superseded by CDs.

Painful changes of this kind happen all the time as a result of new inventions and methods of production. Unquestionably, such changes can cause trauma for those affected. But the most foolish way to counter such problems is to try to prevent them. It is generally fruitless; mere spitting into the wind. Besides, without "creative destruction," we would *all* be stuck with a lower standard of living.

The idea that we should halt change now is as misguided as the idea that we should have obstructed agricultural advances two centuries ago to protect the 80 percent of the population then employed on the land. A far better idea is to use the economic gains that flow



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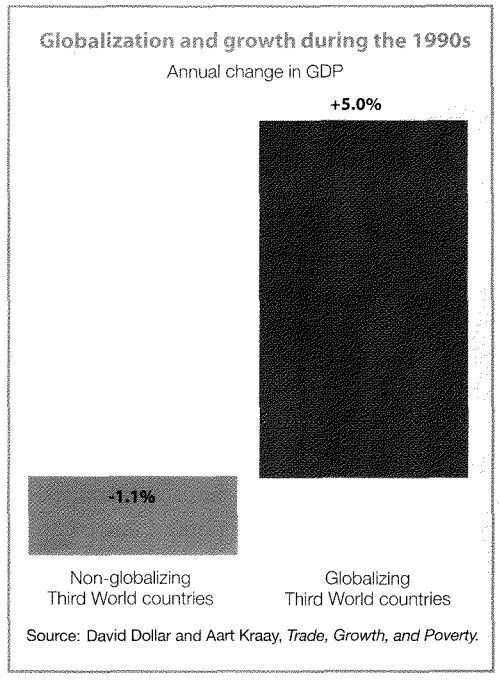
from transformation to alleviate the consequences for those adversely affected. As a Chinese proverb has it, "When the wind of change begins to blow, some people build windbreaks while others build windmills."

But the troubles of change are seldom as widespread as a scan of the newspaper headlines might suggest. It is easy to report that 300 people lost their jobs in a car factory due to Japanese competition. It is less easy and less dramatic to report on the thousands of jobs that have been created because we were able to use old resources more efficiently. Costs affecting a small group on an isolated occasion are simple to spotlight, while benefits that gradually accrue to nearly everyone creep up on us without our giving them a thought. Hardly any of the world's consumers have been informed by their news sources that wider selection, better quality, and lower prices spurred by competition following the Uruguay Round of trade liberalization have gained them between $100 billion and $200 billion annually. The difference is visible, though, in our refrigerators, our home electronics, and our wallets.



A review of more than 50 surveys of adjustments after trade liberalization in different countries shows clearly that adjustment problems are far milder than the conventional debate suggests. For every dollar of trade adjustment costs, roughly $30 is harvested in the form of welfare gains. A study of trade liberalization in 13 different countries showed that in all but one, industrial employment had already increased just one year after the liberalization. The process turns out to be far more creative than destructive.

If there are problems resulting from unshackled capitalism, they ought to be greatest in the United States, with its constant swirling economic transformations. But our job market is a bit like the Hydra in the legend of Hercules. Every time Hercules cuts off one of the beast's heads, two new ones appear. The danger of having to continue changing jobs all one's life is exaggerated: The average length of time an American stays in a particular job actually increased between 1983 and 1995, from 3.5 years to 3.8. Nor is it true, as many people believe, that more jobs are created in the United States only because real wages have stagnated or fallen since the 1970s. A growing proportion of wages is now paid in non-money forms, such as health insurance, stocks, 401(k) contributions, day care, and so forth, to avoid taxation. When these benefits are included, American wages have risen right along with productivity. Among poor Americans, the proportion of consumption devoted to food, clothing, and housing has fallen since the 1970s from 52 to 37 percent, which clearly shows that they have money to spare for much more than the bare necessities of life.

The type of protectionism most fashionable among intellectuals today holds that we should not permit trade with countries that have poor working conditions or environmental protections. Since President Clinton proposed this kind of boycott at the World Trade Organization talks in Seattle in 1999, trade liberalization has largely deadlocked. Developing countries refuse to negotiate under such threats.

Whatever affluent demonstrators in economically powerful countries may believe, low wages and poor environmental conditions in developing countries are not the result of lack of enlightenment or stinginess. Generally the problem is that employers cannot afford to pay higher wages and provide better working conditions, because worker productivity is much lower in undeveloped countries. Wages can be raised as labor becomes more valuable, and that can be achieved only through better infrastructure, more education, new machinery, better organization, and increased investment. If we force these countries to raise wages before productivity has been improved, firms and consumers will be asked to pay more for their manpower than it is currently worth—denying those citizens any chance to work next to the more productive, better-paid workers of the Western world. Unemployment among the world's poor would swiftly rise.

Jesus Reyes-Heroles, Mexican ambassador to the United States, has explained, "In a poor country like ours the alternative to low-paying jobs isn't high-paying jobs—it's no jobs at all." In effect, labor and environmental provisions tell the developing countries: You are too poor to trade with us, and we are not going to trade with you until you have grown rich. The problem is that only through trade can they grow richer and thereby, step by step, improve their living standards and their social conditions. This is a catch-22.

Suppose this idea had been in vogue at the end of the nineteenth century. Britain and France would have noted that Swedish wages were only a fraction of theirs, that Sweden had a 12- or 13-hour working day and a six-day week, and that Swedes were chronically undernourished. Child labor was widespread in spinning mills, glassworks, and match and tobacco factories. One factory worker out of 20 was under 14 years old. Britain and France, accordingly, would have refused to trade with Sweden and closed their frontiers to Swedish cereals, timber, and iron ore.

Would Swedes have benefited? Hardly. Such a decision would have robbed them of earnings and blocked their industrial development. They would have been left with intolerable living conditions, children would have stayed in the factories, and perhaps to this day they would be eating tree-bark bread when the harvest failed. But that didn't happen. Trade with Sweden was allowed to grow unin-

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terrupted, industrialization got under way, and the Swedish economy was revolutionized. This didn't just help Sweden, it also gave Britain and France a new peer for prosperous exchange.

If today, as a condition for trading with the developing countries, we require their mining industries to be as safe as the West's are now, we make demands that we ourselves did not meet when our own mining industries were developing. It was only after raising our incomes that we were able to develop the technology and afford the safety equipment we take for granted today. If we require developing countries to adopt those practices and equipment before they can afford them, their industries will be knocked out. That will not help the world's poor. And it will not help us gain new prosperous, stable, clean trading partners.

Advocates of protectionism often complain of "sweatshops" allegedly run by multinational corporations in the Third World. Let's look at the evidence: Economists have compared the conditions of people employed in American-owned facilities in developing countries with those of people employed elsewhere in the same country. In the poorest developing countries, the average employee of an American-affiliated company makes *eight times* the average national wage! In middle income countries, American employers pay *three times* the national average. Even compared with corresponding modern jobs in the same country, the multinationals pay about 30 percent higher wages. Marxists maintain that multinationals exploit poor workers. Are much higher wages "exploitation"?

The same marked difference can be seen in working conditions. The International Labor Organization has shown that multinationals, especially in the footwear and garment industries, are leading the trend toward better working conditions in the Third World. When multinational corporations accustom workers to better-lit, safer, and cleaner factories, they raise the general standard. Native firms then also have to offer better conditions, otherwise no one will work for them. Zhou Litai, one of China's foremost labor attorneys, has pointed out that Western consumers are the principal driving force behind the improvements of working conditions in China, and worries that "if Nike and Reebok go, this pressure evaporates."

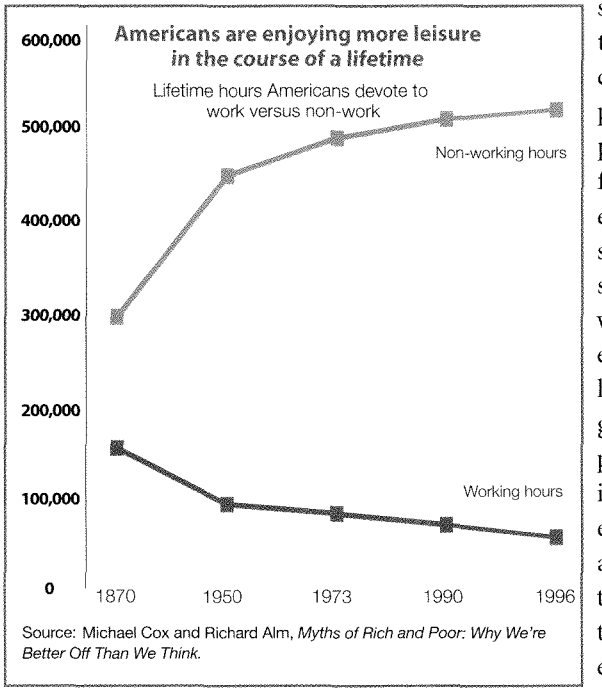
One of the few Western participants in the globalization debate to have actually visited Nike's Asian subcontractors to find out about conditions there is Linda Lim of the University of Michigan. She found that in Vietnam, where the annual minimum wage was $134, Nike workers got $670. In Indonesia, where the minimum wage was $241, Nike's suppliers paid $720. If Nike were to withdraw on account of boycotts and tariffs imposed from the West, these employees would be put out of work and would move to more dangerous and less lucrative jobs in native industry or agriculture.

There are of course rogues among entrepreneurs, just as there are in politics, and all parts of life. But bad behavior by a few is no reason for banning large corporations from investing overseas. That would make no more sense than disbanding the police because we find instances of police brutality.

It is commonly supposed that in order to cope with rising competition from the Third World and increasingly efficient machinery, we in the United States and Western Europe must work harder and put in longer and longer hours. Actually, the time we spend working has diminished, as rising prosperity resulting from growth has enabled us to earn the same pay by doing less work—if we want to. Compared with our parents' generation, most of today's workers go to work later, come home earlier, have longer lunch and coffee breaks, longer vacations, and more public holidays. In the U.S., working hours today are only about half of what they were a hundred years ago, and have diminished by about 10 percent just since 1973—a reduction equaling 23 days per year. On average, American workers have acquired five extra years of waking leisure time since 1973.

We start working progressively later in life, and retire earlier. Calculated over his lifetime, a Western worker in 1870 had only two hours off for each hour worked. By 1950 that figure had doubled to four hours off. Today it has doubled again to about eight hours off for each hour worked. Economic development, closely linked to an expansion of trade that has enabled us to specialize, makes it possible for us to reduce our working hours sharply even as we raise our material living standard.

It is natural for us in the affluent West to complain about stress. This is caused mostly by the fantastic growth of options. Pre-industrial citizens, spending all their lives in one place and perhaps meeting a hundred people in a lifetime, were less likely to feel that they did not have time for everything they wanted to do. People spent a lot of their non-working time sleeping. Today, we can travel the world, read newspapers, see films from every corner of the globe, and meet a hundred people every day. We used to go to the mailbox and wait for the postman. Now e-mail sits in our inbox, waiting for us. We have a huge entertainment industry that offers an almost infinite number of ways to pass the time. No wonder the result is a certain frustration over not finding hours enough to do everything.



Source: Michael Cox and Richard Alm, *Myths of Rich and Poor: Why We're Better Off Than We Think.*

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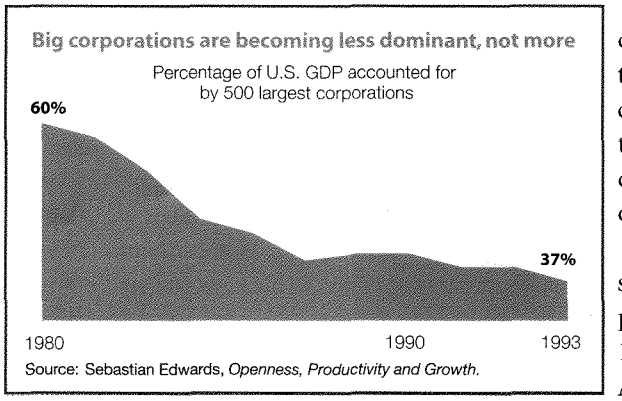
But compared with the problems that earlier people had, and that most people in developing countries still have today, this kind of worry should be recognized for what it is—a luxury. Stress and burnout at work can be real. But they're not caused by globalization.



Corporations have not acquired more power through free trade. Indeed, they used to be far more powerful—and still are in dictatorships and controlled economies. Large corporations have chances to corrupt or manipulate when power is distributed by public officials who can be hobnobbed over luncheons to give protection through monopolies, tariffs, or subsides. Free trade, on the other hand, exposes corporations to competition. Above all, it lets consumers ruthlessly pick and choose across national borders, rejecting companies that don't measure up.

People living in isolation are dependent on local enterprises and are forced to buy what they offer at the price they demand. Free trade and competition are the best guarantees of alternatives penetrating the market if the dominant firm does not satisfy. The only reason a lump of sugar costs two to three times as much in the E.U. as on the world's open markets is because European governments block trade with sugar tariffs. In this way, bureaucrats create far more monopolies than does capitalism.

Capitalists, however, aren't necessarily loyal adherents of capitalism: Often, they are happy to collaborate with governments to protect their privileges. A market economy and free trade are the best ways to force them to offer a better return for our resources. Free trade does not confer coercive power on anyone. The freedom of a business in a free market economy is like a waiter's freedom to offer the menu to a restaurant patron. And it entitles other waiters—foreign ones, even!—to come running up with rival menus. The loser in this process, if anyone, is the waiter who once had a monopoly.

Nothing forces people to accept new products. If they gain market share, it is because people want them. Even the biggest companies survive at the whim of customers. Mega-corporation Coca-Cola has to adapt the recipe for its drinks to different regions in deference to local variations in tastes. McDonald's sells mutton burgers in India, teriyaki burgers in Japan, and salmon burgers in Norway. TV mogul Rupert Murdoch failed to create a pan-Asian channel and instead has been forced to build different channels to suit local audiences.

Companies in free competition can grow large and increase their sales only by being better than others. Companies that fail to do so quickly go bust or get taken over by someone who can make better use of their capital, buildings, machinery, and employees. Capitalism is very tough—but mainly on firms offering outdated, poor-quality, or expensive goods and services. Fear of established companies growing so large as to become unaccountable has absolutely no foundation in reality. In the U.S., the most capitalist large country in the world, the market share of the 25 biggest corporations has steadily dwindled over recent decades.

Freer markets make it easier for small firms with fresh ideas to compete with big corporations. Between 1980 and 1993, the 500 biggest American corporations saw their share of the country's total employment diminish from 16 to 11 percent. During the same period, the average personnel strength of American firms fell from 17 to 15 people, and the proportion of the population working in companies with more than 250 employees fell from 37 to 29 percent.

Of the 500 biggest enterprises in the United States in 1980, one third had disappeared by 1990. Another 40 percent had evaporated five years later. Whether they failed to grow enough to stay on the list, died, merged, or broke up, the key lesson is that big corporations have much less power over consumers than we sometimes imagine. Even the most potent corporation must constantly re-earn its stripes, or tumble fast.

Half the firms operating in the world today have fewer than 250 employees. The biggest brand logos are always flashed before our eyes, but we forget that they are constantly being joined by new ones. How many people recall that just a few years ago Nokia was a small Finnish firm making tires and boots?

Many people fear a "McDonaldization" or "Disneyfication" of the world, a creeping global homogeneity that leaves everyone wearing the same clothes, eating the same food, and seeing the same movies. But this portrayal does not accurately describe globalization. Anyone going out in the capitals of Europe today will have no trouble finding hamburgers and Coca-Cola, but he will just as easily find kebabs, sushi, Tex-Mex tacos, Peking duck, Thai lemongrass soup, and cappuccino. We know that Americans listen to Britney Spears and watch Adam Sandler films, but it's worth remembering that the United States is also a country with 1,700 symphony orchestras, 7.5 million annual trips to the opera, and 500 million museum visits a year. Globalization doesn't just give the world shlocky reality TV and overplayed music videos, but also classic films and documentaries on many new channels, news on the Internet, and masterpieces of music and literature in stores and on the Web.

The world is indeed moving toward a common objective, but that objective is not the predominance of a particular culture. Rather it is pluralism, the freedom to choose from a host of different paths and destinations. The market for experimental electronic music or film versions of novels by Dostoevsky may be small in any given place, so musicians and filmmakers producing such material could never produce anything without access to the much larger audience provided by globalization.

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This internationalization is, ironically, what makes people believe that differences are vanishing. When you travel abroad, things look much the same as in your own country: The people there also have goods and chain stores from different parts of the globe. This phenomenon is not due to uniformity and the elimination of differences, but by the growth of pluralism everywhere.

Such opportunity can have negative effects in certain situations. When traveling to another country, we want to see something unique. Arriving in Rome and finding Hollywood films, Chinese food, Japanese Pokemon games, and Swedish Volvos, we miss the local color. And national specialties like pizza, pasta, and espresso are already familiar to us because we have them at home, too.

Bu this is another one of those luxury problems. I know a man from Prague who was visited by Czech friends who had settled abroad. The expatriates deplored the arrival of McDonald's in Prague because it threatened the city's distinctive charm. This response made the man indignant. How could they regard his home city as a museum, a place for them to visit now and then in order to avoid fast food restaurants? He wanted a real city, including the convenient and inexpensive food that these exile Czechs themselves had access to. A real, living city cannot be a "Prague summer paradise" for tourists. Other countries and their populations do not exist in order to give us picturesque holiday experiences. They, like us, are entitled to choose what suits their own tastes.

There's nothing new about cultures changing, colliding with each other, and cross-pollinating. Even the traditions we think of as most "authentic" have often resulted from cultural imports. One of the most sacred Christmas traditions in my home country of Sweden celebrates an Italian saint by adorning the hair of blond girls with lighted candles. Change and renewal are an inherent part of civilization. If we try to freeze certain cultural patterns in time they cease to be culture and instead become museum relics and folklore. There is nothing wrong with museums—but we can't live in one.

In the age of globalization, the ideas of freedom and individualism have attained tremendous force. There are few concepts as inspiring as that of self-determination. When people in other countries glimpse a chance to set their own course, it becomes almost irresistible. If there is any elimination of differences throughout the world, it has been the convergence of societies on the practice of allowing people to choose the sort of existence they please.

Global commerce does undermine old economic interests, challenge cultures, and erode some traditional power centers. Advocates of globalization have to show that greater gains and opportunities counterbalance such problems. The anti-globalists are right that we could reject globalized trade if we adamantly insisted. Capital can be locked up, commercial flows blocked, and borders barricaded.

This happened across our planet at least once before. Decades of expanding economic liberty and globalization during the nineteenth century were replaced with nationalistic saber-rattling, centralization, and closed borders at the beginning of the twentieth century. The outbreak of World War I marked a new era.

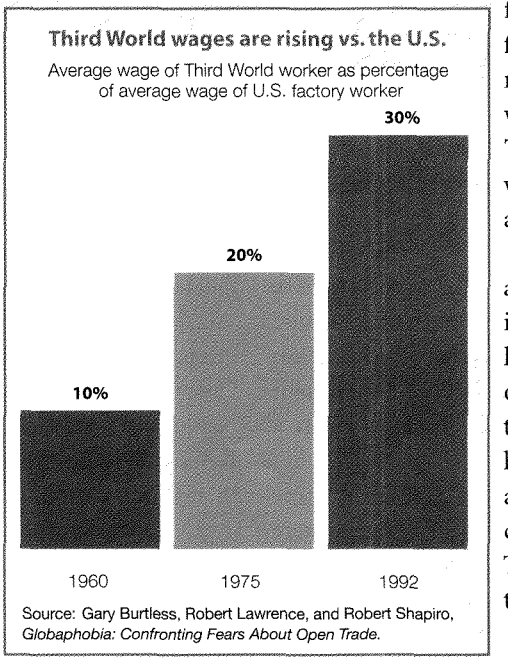
Globalization resumed after World War II, but countries like Burma and North Korea show that it is still possible to cut oneself off from international trade, so long as one is prepared to pay heavily for doing so with political oppression and economic deprivation. It is not "necessary" that we follow the trend toward expanding global trade. It is highly desirable.

Globalization makes an excellent scapegoat. It contains all the anonymous forces that have served this purpose throughout history: foreign countries, other races and ethnic groups, the uncaring market. Globalization does not speak up for itself when politicians blame it for overturning economies, increasing poverty, enriching a tiny minority, polluting the environment, or cutting jobs. And globalization doesn't usually get any credit when good things happen—an economy running at high speed, poverty diminishing, clearing skies. So if the trend toward greater global interchange and liberty is to continue, an ideological defense is needed.

In 25 years there are likely to be 2 billion more of us on this planet, and 97 percent of that population increase will occur in the developing world. There are no automatic processes deciding what sort of world they will experience. Most of that will depend on what people like you and me believe, think, and fight for.

Lasse Berg and Stig Karlsson record Chinese villagers' descriptions of the changes they experienced since the 1960s: "The last time you were here, people's thoughts and minds were closed, bound up," stated farmer Yang Zhengming. But as residents acquired power over their own livelihoods they began to think for themselves. Yang explains that "a farmer could then own himself. He did not need to submit. He decided himself what he was going to do, how and when. The proceeds of his work were his own. It was freedom that came to us. We were allowed to own things for ourselves."

Coercion and poverty still cover large areas of our globe. But thanks to globalizing economic freedom, people know that living in a state of oppression is not natural or necessary. People who have acquired a taste of economic liberty and expanded horizons will not consent to be shut in again by walls or fences. They will work to create a better existence for themselves. The aim of our politics should be to give them that freedom.



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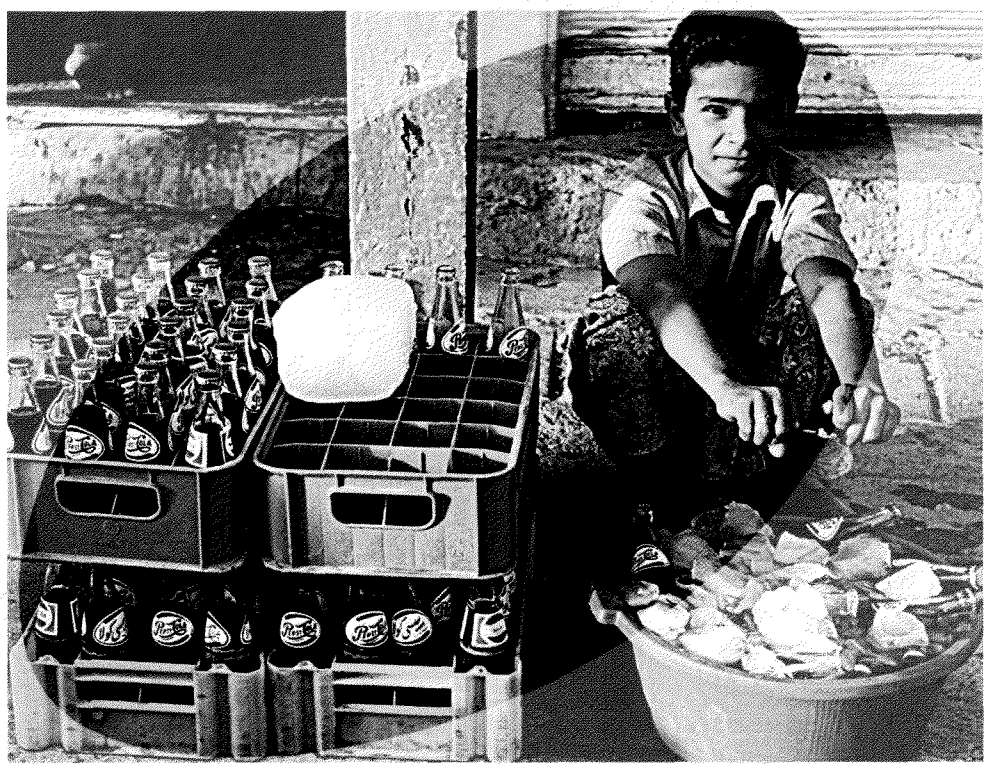
Do Multinational Corporations Hurt Poor Countries?

BY JAGDISH BHAGWATI



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There is a fierce debate today between those who consider globalization to be a malign influence on poor nations and those who find it a positive force. This debate focuses not just on trade, but also on multinational corporations. The hard evidence strongly suggests that the positive view is more realistic. There are many reasons to believe that multinationals in particular do good, not harm, in the developing world.

If any conviction strongly unites the critics of multinationals today, it is that they exploit workers in poor countries. Ire has been aroused by the assumption that rich, deep-pocketed corporations pay "unfair" or "inadequate" wages overseas. More generally, companies are condemned for violating "labor rights."

The typical critique asserts that if a Liz Claiborne jacket sells for $190 in New York, while the female worker abroad who sews it gets only 60 cents an hour, that is obviously exploitation. But there is no necessary relationship between the price of a specific product and the wage paid by a company. For starters, for every jacket that sells, there may be nine that do not. So the effective price of a jacket one must consider is a tenth of the sold jacket: $19, not $190. And distribution costs and tariff duties on apparel almost double the price of a jacket between the time it arrives at the dock or airport in New York and finds its way to a Lord & Taylor display.

It is often assumed that multinationals earn huge monopoly profits while paying their workers minimal wages, and that these firms should therefore share their "excess" profit with their workers. But nearly all multinationals such as Liz Claiborne and Nike operate in fiercely competitive environments. A recent study of the profits performance of 214 companies in the 1999 Fortune Global 500 list showed a rather sorry achievement—about 8.3 percent profit on foreign assets. Where are the huge spoils to be shared with workers?

Let's look at the facts on wage payments. Good empirical studies have been conducted in Bangladesh, Mexico, Shanghai, Indonesia, Vietnam, and elsewhere. And these studies find that multinationals actually pay what economists call a "wage premium," that is, an average wage that *exceeds* the going rate in the area where they are located. Affiliates of some U.S. multinationals pay a premium over local wages that ranges from 40 to 100 percent.

In one careful and convincing study, the economist Paul

Columbia University economist Jagdish Bhagwati is one of the world's foremost authorities on international trade. His latest book is In Defense of Globalization, *from which this is adapted.*

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Glewwe, using Vietnamese household data for 1997-98, was able to isolate the incomes of workers employed in foreign-owned firms, joint ventures, and Vietnamese-owned enterprises. About half the Vietnamese workers in the study worked in the foreign textile or leather firms that are so often criticized. Contrary to the steady refrain from the critics, Glewwe found that workers in foreign-owned enterprises generally make almost twice the salary of the average worker employed at a Vietnamese company.

Multinationals actually pay wages that exceed the going rates in the countries where they locate.

As Glewwe points out:

> The data also show that people who obtained employment in foreign-owned enterprises and joint ventures in Vietnam in the 1990s experienced increases in household income (as measured by per capita consumption expenditures) that exceeded the average increases for all Vietnamese households. This appears to contradict the claims that foreign-owned enterprises in poor countries such as Vietnam are "sweatshops." On the other hand, it is clear that the wages paid by these enterprises…are a fraction of wages paid in the U.S. and other wealthy countries. Yet Vietnam is so poor that it is better for a Vietnamese person to obtain this kind of employment than almost any other kind available in Vietnam.

But there remains the accusation that global corporations violate labor rights. Many damning charges are made, and anti-globalization activists are not beyond trumpeting the occasional lie, much like the corporations, politicians, and bureaucrats they excoriate. Only after IKEA was accused of exploitative child labor by its suppliers was it discovered that the German film documenting the abuse was simply faked by activists.

Another recent example, much-repeated by critics of multinationals and picked up by many sympathetic reporters, was the claim that the chocolate sold in rich countries relies on slave labor by children in the cocoa plantations of the Ivory Coast. Let me quote from Norimitsu Onishi's story in the *New York Times* uncovering the falsity of these charges.

> Many accounts in British and American news media last year spoke breathlessly of 15,000 child slaves…producing the chocolate you eat. The number first appeared in Malian newspapers, citing the UNICEF office in Mali. But UNICEF's Mali office had never researched the issue of forced child laborers in Ivory Coast…. Still, repeated often enough, the number was gladly accepted by some private organizations, globalization opponents seeking a fight with Nestle and Hershey, and some journalists…. This month, the results of the first extensive survey of child labor in cocoa plantations in Ivory Coast and three other African nations were released by the International Institute of Tropical Agriculture, a nonprofit organization…. The survey found that almost all children working in cocoa fields were children of the plantation owners, not forced laborers…. None reported being forced against their will.

Unfortunately, as Onishi observes, "politics is sometimes more influential than precision…. Since they were released early this month, the institute's findings have received little attention—perhaps only 1 percent of what the '15,000 slaves' figure received."

Sometimes when critics of multinationals attack, it is not egregious violations of local laws that are at issue. It is rather the claim that the companies do not meet the demands of "decency," or Western norms, or perhaps international law. This route to condemning multinationals is quite problematic, however.

For one thing, developing-world regulations may be less demanding than international ones (just as American standards are often below those of Europe and even Canada) for good reasons. Take the case of working hours, which can be quite long in some poor countries. As Nicholas Kristof and Sheryl WuDunn have pointed out in the *New York Times Magazine*, the young Third World workers who toil long hours at multinational factories generally do so voluntarily. Why? Because they want to make money as quickly as possible so they can return to their rural homes. Like many of us who work long hours, they are not being exploited, they drive themselves.

Kristof and WuDunn quote workers in a leather-stitching factory in the Chinese boomtown of Dongguan, who tell them they all regard it as a plus that the factory allows them to work long hours every day. Indeed, some had sought out this factory precisely because it offered them the chance to earn more. "It's actually pretty annoying how hard they want to work," said the factory manager, a Hong Kong man. "It means we have to worry about security and have a supervisor around almost constantly."

Not only are multinationals wrongly accused of exploitation in the developing countries, but economists have also noted a number of good effects they bring in their wake. Perhaps the chief good effect is what economists call spillover. This refers to the fact that domestic firms learn productivity-enhancing techniques from foreign corporations with better technology and management practices. Production workers often learn better techniques while employed by foreign firms. Managers may learn about better practices by observing, or by having previously worked at multinationals themselves. And increased competition pushes all companies in an area where multinationals are operating to become more productive.

In the movie *Manhattan,* Woody Allen's character talks about the hotel where the food is dreadful, and there was not enough

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of it, either! The critics of multinationals often make similar complaints. After arguing that multinationals must be condemned for exploiting workers and harming host countries wherever they go, critics sometimes inveigh against these same corporations for bypassing countries that need them, thereby widening the gap between the rich and the poor.

If multinationals avoid some poor countries, that is surely not surprising. They are businesses that must survive by making a profit—no corporation ever managed to do sustained good by continually posting losses. If a country wants to attract investment, it has to provide an attractive environment. That generally implies having political stability and economic advantages such as economical labor or useable natural resources. In the game of attracting investment, some countries are going to lose because they lack these attributes. The truly unfortunate countries are those experiencing acute problems of governance, as in the African countries ravaged by war.

It is unrealistic to expect multinationals to invest in these countries and "save" them. Instead, the international community has to help them put their paralyzing conflicts and inadequate governance behind them over the long haul—a truly heroic task. In the meantime, the answer to such nations' pressing humanitarian and developmental needs must be public aid, technical assistance, and altruism from corporations and civil society groups. The World Bank ought to concentrate more on these problem states and should correspondingly turn away from lending to countries such as India and China, which now have the ability to develop by themselves. But, of course, the World Bank leadership seeks to maximize influence by distributing largesse to all; even altruistic institutions will occasionally be run by men whose private ambitions, rather than the social good, are the primary determinants of their policies.

DEMUTH *continued from page 35*

America in the 1970s to Germany and France today, the worst cases of political decomposition have come at times of economic weakness.

At a minimum, a robust, growing economy will be essential for financing a "generational commitment" to military action that will be largely ours to pay for. In addition, great economic limberness will be required of the U.S. as we finance and manage the introduction of economic and technological modernity to former Middle Eastern enemies like Iraq.

These circumstances suggest a more profound relationship between economic policy and security policy. Our initial tactics have consisted of hunting down terrorist groups, reforming or replacing terror-supporting governments, and, at home, imposing new government surveillance and controls over communications, transportation, finance, and other aspects of commerce. These tactics, while essential, will almost certainly be less important over the long run than piling up our natural advantages—our market-driven capacities for continuous innovation, spontaneous adaptation to changing circumstances, and resilience in the face of unexpected reversals. Our success at promoting the institutions of political freedom and economic opportunity in the homelands of terrorism will depend to a significant degree on our maintaining those institutions in our own nations, both as exemplars and as engines of economic power.

It is often said that the Islamist radicals hate America not for its sins but for its virtues—the virtues of freedom, prosperity, and cultural dynamism. They fear as well as hate us for these virtues, and we should take them seriously. To the long list of good reasons for confronting the many wasteful and counterproductive policies that are holding our economy far below its potential, we may now add urgent reasons of national security.

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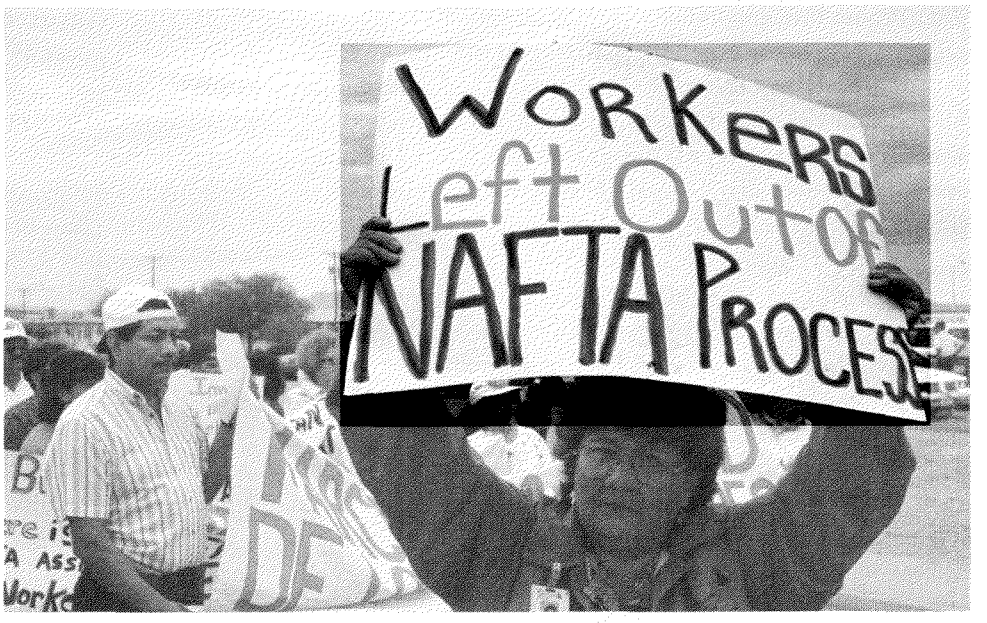
Does International Trade Kill Good American Jobs?

BY DOUGLAS IRWIN

In 1824 the great British historian Thomas Macaulay remarked that "free trade, one of the greatest blessings which a government can confer on a people, is in almost every country unpopular." The popularity of free trade has not changed much since Macaulay's day. The 1990s were a period of expanding world trade, strong economic growth, and the lowest U.S. unemployment in 30 years. Yet the decade began with fears of the "giant sucking sound" of jobs lost due to the North American Free Trade Agreement (NAFTA), and ended with opponents of free trade taking to the streets in the "Battle of Seattle."



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While free trade has always been the subject of complaint, the rhetorical charges against it have stepped up in recent years. Critics like Ralph Nader and Pat Buchanan rail against international commerce and the World Trade Organization for serving the interests of corporations rather than people, harming workers, decimating manufacturing industries, weakening environmental protections, and undermining American sovereignty. A wide range of groups, from religious organizations to human rights activists to Greens, have joined in the protests. The litany of complaints placed on the doorstep of free trade is hugely extensive, going well beyond the perennial objection that trade forces painful economic adjustments such as plant closings and layoffs. Nader charges that free trade "would make the air you breathe dirtier, and the water you drink more polluted. It would cost jobs, depress wage levels, and make workplaces less safe. It would destroy family farms and undermine consumer protections."

Ironically, it was the inequities of *protectionism* that populists railed against a century ago. They warned that big businesses used tariffs to stifle competition and exploit consumers. They argued that free trade was the best way to ensure competition, discipline the power of domestic monopolies, and prevent politicians from using tariffs to give favors to special interests.

The clear conclusion of economists of all stripes is that the populists of a hundred years ago were right, and the populists of today are wrong. Free trade is a desirable economic policy for the "little man" at least as much as for the national economy. This conclusion is supported by extensive empirical evidence. Yet protectionism is far from vanquished in the political arena.

Industries that compete against imports will always promote their own interests by seeking trade restrictions. But today, the general public also has concerns about foreign competition. The argument that resonates most strongly is the claim that imports destroy jobs. Is this accurate? And if so, are import restrictions the remedy?

The claim that trade should be limited because imports destroy jobs has been trotted out since the sixteenth century. And imports do indeed destroy jobs in certain industries. Employment in the Maine shoe industry and the South Carolina apparel industry, for example, is lower because both industries were exposed to competition from imports. So we can understand

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why the plant owners and workers and politicians who represent them might prefer to avoid this foreign competition.

But just because imports destroy some jobs does not mean that trade reduces overall employment or harms the economy. After all, the dollars that U.S. consumers hand over to other countries in purchasing imports do not accumulate there. Those dollars, as an economic fact, must eventually all return to purchase either U.S. goods (exports) or U.S. assets (foreign investment). And both exports and foreign investment create new jobs here.

Free trade is a desirable economic policy for the "little man" at least as much as for the national economy.

The claim that imports destroy jobs ignores the creation of jobs elsewhere in the economy as a result of trade. Since trade both destroys *and* creates jobs, the pertinent question is whether trade has a *net* effect on employment. In truth, the overall effect of trade on the number of jobs in an economy is best approximated as zero. That's because total employment is not a function of international trade, but of the number of people in the labor force. Historical data show clearly that the number of jobs in the United States closely tracks the number of people who are available to work. That is to be expected in a free-market economy. Any imbalance in the numbers of workers and jobs will be offset by an adjustment of wages or some other change in economic equilibrium.

The same adjustments apply in trade. Some participants in the trade debate imagine that a country's exports and imports are independent of one another, and that we ought to strive to reduce imports while increasing exports. But in truth, you can't reduce one without having an adverse effect on the other—for exports and imports are flip sides of the same coin. You can't have one without the other.

The mechanisms that link a country's exports and imports to one another are complex and not always readily apparent, but they can be illustrated by focusing on the foreign exchange market. If the United States unilaterally reduces its tariffs on Japanese goods, for example, one would expect U.S. demand for Japanese goods to increase. To make these purchases, consumers in the United States will (indirectly) have to sell dollars on the foreign exchange market to purchase yen. In response to the increased demand for yen from those holding dollars, the value of the dollar will fall compared to yen. That raises the price of Japanese goods in the United States, dampening demand for those goods.

And there is a flip side: Even though it was the United States that lowered its tariff while Japan left its tariffs unchanged, Japan will now purchase more goods from the United States. This is because the cheaper dollar lowers the yen price of U.S. goods, stimulating Japanese demand for them. Economic statistics going back more than a century document this sort of direct link between outgoing and incoming trade.

The foreign exchange market is just one of several mechanisms that link exports and imports. And together, these mechanisms ensure that exports and imports, rather than being separate forces, one "good" and one "bad," are actually related phenomena that rise and fall together. Indeed, the best way to think of exports may be as goods that a country must give up in order to acquire the imports it desires. Economically, both imports and exports are good for an economy and for consumers.

This is why, throughout U.S. history, large tariff increases that choke off imports have failed to stimulate greater employment. Any increase in employment in import-competing industries is offset by a decrease in employment in export-oriented industries. The Smoot-Hawley tariff of 1930, for example, significantly reduced imports but failed to create jobs overall because exports fell almost one-for-one with imports, resulting in employment losses in those industries.

The connection between imports and exports cannot be overlooked when evaluating trade policy. Governments that undertake policies to reduce imports will find themselves reducing exports also. That merely trades one expansion for another contraction, and both transactions will end up being done less efficiently.

Not only do import restrictions reduce the number of jobs producing exports. They also directly destroy jobs in downstream industries that use imports. Keep in mind that the majority of U.S. imports are not final consumer goods, but intermediate goods used by domestic firms in their production processes. Any trade restriction that raises the price of an intermediate good directly harms downstream user industries, and this adversely affects employment in those industries.

Restrictions on imported sugar, for example, have reduced U.S. employment in the sugar refining and candy making industries. Because our food manufacturers who produce sugar-intensive products must pay a higher price for sweetener than their foreign rivals, their competitive position has suffered. In 1990, Brachs Candy Company announced that due to the high domestic price of sugar it would close a factory in Chicago that employed 3,000 workers and expand production instead in Canada—which does not artificially inflate the price of sugar to protect its sugar producers. In 1988, the Department of Commerce estimated that the high price of domestic sugar due to U.S. protectionism cost almost 9,000 jobs in food manufacturing because of increased imports of cheaper sugar-containing products, and 3,000 jobs in the sugar-refining industry because of lower demand for sugar. At the time of this study, U.S. sugar-producing farms employed about 35,000 workers—but the sugar-processing and sugar-using sectors employed about 708,000 workers! A great many workers in the sugar-using industries were put at risk, in other words, to save the jobs of the few workers in the sugar-producing industry.

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We have seen that framing trade policy in terms of employment is ultimately an empty exercise. Blocking imports may protect some jobs, but it harms others. Yet even those who agree that the overall effect of trade on employment is essentially zero may oppose free trade because they believe that it shifts jobs into *less desirable* sectors. The gravest of such concerns is that in the last three decades good jobs in manufacturing have been traded for bad jobs of other sorts. Has trade actually had this effect on the U.S.?

The economics reveal that the popular perception that imports destroy good, high-wage jobs in manufacturing is almost completely erroneous. It is closer to the truth to say that imports destroy bad, low-wage jobs in manufacturing.

This is because wages in industries that compete against imports are well below average, whereas wages in exporting industries are well above average. The United States tends to import labor-intensive products, such as apparel, footwear, leather, and goods assembled from components. U.S. companies in these labor-intensive sectors tend to employ workers with lower than average educational attainment and relatively low wages. In 1999, average hourly earnings of Americans working in the apparel industry were 36 percent less than in manufacturing as a whole. Average hourly earnings were 30 percent lower than average in the leather industry and 23 percent lower in the textile industry.

By contrast, the products the United States tends to export are more skill-intensive, such as aircraft, construction machinery, engines and turbines, and industrial chemicals. Workers in these industries earn relatively high wages. In 1999, average hourly earnings in the aircraft industry were 42 percent above the average in manufacturing. Wages were 8 percent higher in industrial machinery, and 24 percent higher in pharmaceuticals. One study reports that even "after being adjusted for skill differences, wages in export-intensive industries are 11 percent above average, whereas wages in import-intensive industries are 15 percent below average."

As a result, any policy that limits overall trade by reducing exports and imports tends to increase U.S. employment in low-wage industries and reduce U.S. employment in high-wage industries. Restricting trade shifts American workers away from things that they produce well (and hence export and earn high wages in producing), and toward things that they do not produce so well (and hence import and earn low wages in producing). Under trade restrictions, employment gains for low-wage textile factory operators would be offset by employment losses for high-wage machinists and engineers in aircraft and pharmaceutical plants.

Because exports increase the number of workers in relatively more productive, high-wage industries, and imports reduce the number of workers in relatively less productive, low-wage industries, the overall impact of trade in the United States is actually to raise average wages. This is the opposite of what many people fear: that international competition, particularly with low-wage developing countries, will unleash a "race to the bottom" in which wages are cut to match lower labor costs elsewhere.

Such fears are misguided. High American wages are based on the high productivity of U.S. workers. Foreign competition cannot take away the advantages that give rise to this high productivity, namely, the use of sophisticated technology, a substantial investment in education and human capital, and the many other advantages of operating in the U.S. market.

Data show that the growth of U.S. worker compensation tracks growth in worker productivity almost perfectly over the last half century. Foreign competition does not suppress this growth. In fact, trade can foster growth in productivity in several ways, thus actually *increasing* worker compensation.

The truth is, firms that compete against imports cannot cut wages—because they do not determine what those wages will be. Those firms must pay the prevailing market wage as determined by the productivity of workers. All that a company facing import competition can do is reduce employment; if it tries to cut wages, its best workers just leave to take opportunities elsewhere in the economy.

Although average wages are determined by the underlying attributes that make American workers productive, trade can affect the *distribution* of wages in an economy. This is implicit in what we have discussed: Trade creates jobs in high-wage industries in which the United States exports (aircraft, machinery), and reduces jobs in low-wage industries in which the United States imports (apparel, footwear). Some economic interests are therefore bound to be harmed by free trade and will seek to keep imports out of the domestic market. But there are overall benefits to many workers from free trade that exceed the losses to other workers.

In any rapidly changing economy, jobs are continuously created and eliminated. Changes in consumer tastes, domestic competition, growth in productivity, technological innovation, and international trade all contribute to the churning of the labor market. It is virtually impossible to disentangle all of the reasons for job displacement because they are interdependent; for example, technological change may be stimulated by domestic or foreign competition.

Yet to the extent that such attributions can be made, the available economic evidence suggests that trade is a small factor in the displacement of American workers. According to the Bureau of Labor Statistics, import competition was responsible for only 1.5 percent of total layoffs from 1996 to 1999. And counterbalancing this, as we have seen, are many positive effects on workers from unshackled trade.

Free trade, it is clear, is not only very good for economies and for consumers. It is also good for the average American worker.

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Why the Economy Must Remain Job One

Botching economic policy is no way to win the war on terror

BY CHRISTOPHER DEMUTH

Wartime can be bad times for economic policy. It's not just that military mobilization imposes heavy burdens on the private economy. The larger problem is that the political demands of war can cause government to grow across the board. This tendency has been conspicuous in the first years of the war on terror.

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The floor of the New York Stock Exchange.

Since September 11, U.S. government spending and regulating *unrelated to the war on terror* has grown dramatically. Domestic discretionary nonsecurity spending grew by 15 percent from 2001 through 2003 and will probably increase by more than 25 percent during President Bush's first term—a much faster growth rate than at any time during the Clinton administration. This spending category is limited to such things as unemployment benefits, education, grants to state governments, and a variety of energy, agricultural, commercial, and regional-development subsidies. It doesn't count higher spending on national defense, homeland security, and September 11-related projects such as victim compensation and physical rebuilding, nor does it count the Social Security and Medicare entitlements.

Total federal spending now exceeds $20,000 per household, the highest inflation-adjusted level since World War II. And it is bound to grow mightily in the coming years as the baby-boom generation begins to cash in on Social Security and newly expanded Medicare benefits. The December 2003 prescription-drug expansion of Medicare, the first major entitlement bill enacted without any taxes to pay for its benefits, adds at least $10 trillion more to the federal government's unfunded liabilities.

Government economic controls have also grown. Burdensome new regulations of the financial and energy sectors, and of management-shareholder relations, were imposed after the Enron scandal. A new independent agency has been created to regulate business accounting, with unilateral authority to set and collect taxes on all publicly held corporations. In the critical telecommunications sector, deregulation initiatives have been countermanded by Congress, and regulators are poised to restrict the growth of dynamic technologies such as Internet telephony. The new Medicare law extends federal regulation of the health-care sector in important respects, and will almost certainly lead to price controls on pharmaceuticals. America's deregulation movement, which since the late 1970s had steadily abolished New Deal-era controls, has yielded to a new era of re-regulation.

Finally, U.S. leadership in trade liberalization—a bipartisan project since the early days of the Cold War—has essentially collapsed. The Bush administration's most important trade initiatives have foundered amidst rancorous international disputes. All but one of the Democratic Party's 2004 Presidential hopefuls (emphatically including Senator John Kerry) have been adamant protectionists, a sharp departure from the free-trade policies of Democratic Presidents from Bill Clinton on back. In response to attacks over "outsourcing," the Bush White House has distanced itself from defenses of free trade.

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These developments have prompted some sharp criticisms of President Bush by his conservative supporters. Yet George Bush is, philosophically, a strong conservative and free-market man—as are most of the members of the House of Representatives, which has collaborated in the surge of federal spending and regulating in vote after vote. Although President Bush came to office committed to new spending initiatives in education and health care, his proposals were much more temperate, and much more infused with free-market reforms, than the programs that have been enacted.

In truth, government growth has resulted not from any change in Republican Party doctrine but rather from the necessities of political mobilization following the attacks of September 11.

First, the onerous demands of mounting the counterterrorism campaign, the wars and occupations in Afghanistan and Iraq, and the new homeland-security programs, have absorbed most of the time and energy of the Administration. Domestic spending and regulating are naturally shaped by the pressures of innumerable interest groups—representing farmers, teachers unions, business firms, veterans, environmental causes, etc.—each extracting a subsidy here, a regulatory advantage there. The special-purpose Congressional committees and administrative agencies easily become accommodating forums for these groups unless there is countervailing leadership from the top that asserts the public interest over the multitude of parochial claimants. But since September 11, the President and the White House have been preoccupied. Other than the 2003 tax reform, Congress and the bureaucracies have mostly been left to their own devices.

Second, emergency mobilization is not merely distracting—it requires positive accommodation of many individual legislators and constituencies. When the President has an urgent priority, such as a big appropriation for rebuilding Iraq, everyone in Washington knows it. To get what he needs, a President must acquiesce in much that he regards as incidental or even obnoxious. The price of necessary legislation includes the building of many unnecessary dams and other pork-barrel projects.

These developments are highly worrisome not only for their economic effects but also for our prospects in the war on terror. During our last period of extended security mobilization, the Cold War, America's "anti-statist" political ethos—our skepticism toward government, and preference for personal freedom, low taxes, free trade, and a growing consumer economy—was critical in keeping pressures for government growth at bay. Presidents from Eisenhower to Kennedy to Reagan firmly resisted demands for economic regimentation and "military protectionism." The result was high rates of economic growth and technological innovation and a social resilience that eventually overwhelmed the lumbering Soviet juggernaut.

The period of the late 1960s and '70s was the exception that proved the importance of U.S. anti-statism. The "guns *and* butter" policies of Presidents Johnson and Nixon, in which the expenses of a major war were combined with costly Great Society initiatives, contributed to a decade of high inflation, low growth, social division, declining military budgets, and a succession of communist victories. Then, of course, anti-statism returned in full force in the 1980s with the election of Ronald Reagan; by decade's end, the Soviet Union was no more.

The first two years of the war on terror have again been a time of guns and butter—not out of deliberate political calculation as during the Vietnam War, but as an unintended consequence of ad hoc accommodation to new political circumstances. The terrorist attacks and responses by public officials have generated popular appreciation for government in general, not just our armed services. For the time being, American anti-statism is in abeyance.

Although the growth of government bodes ill for American economic welfare, the costs may seem to be manageable as a security matter. The societies that threaten us with radical Islamism and terrorism are very backward economically; they have squandered their oil wealth rather than investing it in productive human and physical capital. Despite our recent sloppiness and indiscipline in economic policy, America is likely to remain the world's richest and most market-oriented nation. Economically, the Free World seems to possess invincible advantages over the Terrorist World.

Yet the war on terror is different from anything we have faced before. It is a clash of civilizations, not economic systems, and it is likely to be long, nasty, and punctuated with harsh reversals. Organizations such as al-Qaeda and Hezbollah, although socially and economically primitive, are nevertheless able to assimilate and deploy modern technology and organizational methods successfully. Unencumbered by the bureaucratic sloth and economic perversities of communist states, the most proficient terrorist groups are themselves fiendishly "market oriented" and entrepreneurial.

In operations and tactics, the terrorists borrow from the West's civic and commercial freedoms with the purpose of undermining and eventually destroying those freedoms. And they possess, for the time being, an intrinsic advantage: the technologies that now enable small, cohesive groups to execute surprise massacres of large numbers of people. The September 11 ratio of 19:2,978 was by no means the theoretical limit. Despite the Bush administration's energetic anti-proliferation diplomacy, nuclear technology will almost certainly continue to spread and find uses in unpredictable places.

Prevailing over such threats will require more than technological fixes. We also must be prepared to maintain our morale, self-confidence, and will to prevail. In response to a single attack claiming about 200 lives, Spain has already sued for peace. England, Italy, and Poland may be the next targets, and America could find itself friendless at key moments, even as we remain the ultimate target. Maintaining social morale is surely a complex and subtle thing, but a strong and growing economy is an important component. From Germany in the 1930s to

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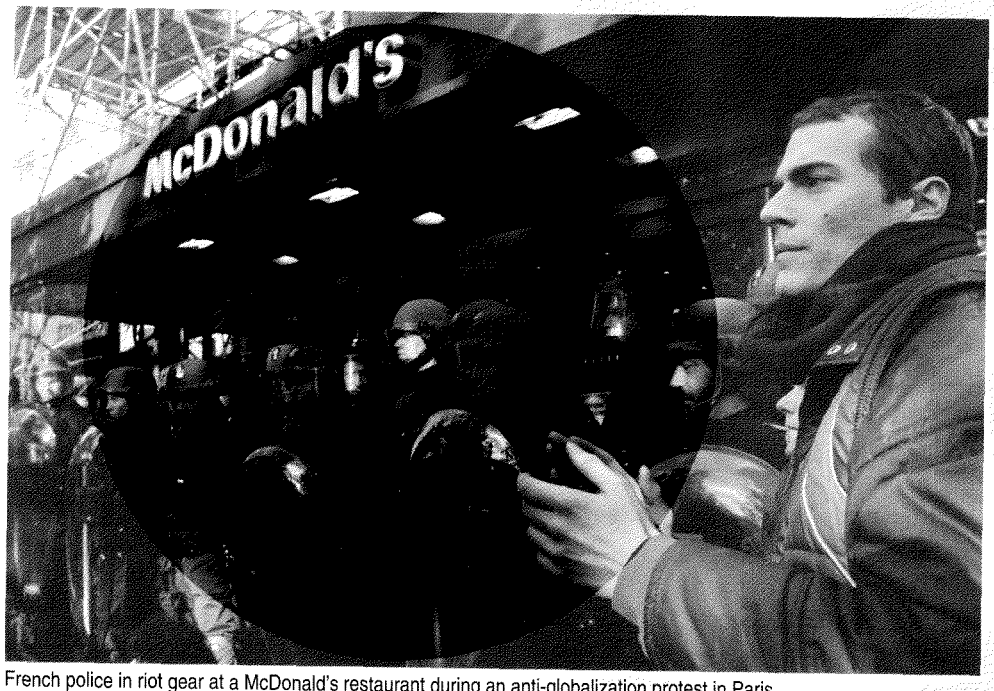
Anti-Globalism = Anti-Americanism

BY JEAN-FRANCOIS REVEL



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French police in riot gear at a McDonald's restaurant during an anti-globalization protest in Paris.

How to understand this war against globalization, which has grown in scope and virulence over the past five years? First, we must realize that it is a war in the real, not the figurative, sense of the word. It is a physical struggle being fought in the streets, not just theoretically. The demonstrators who are its shock troops are organized by activist organizations, many of them subsidized by governments, and they sack cities and lay siege to international meetings during their battles.

What motivates this extraordinary resistance? Globalization simply means freedom of movement for goods and people, and it is hard to be violently hostile to that. But behind this fight lies an older and more fundamental struggle—against economic liberalization, and against the chief representative thereof, which is the United States. Anti-globalism carnivals often feature an Uncle Sam in a Stars-and-Stripes costume as their supreme scapegoat. In this way, the new movement taps into an old socialist tradition, where opposition to economic freedom and opposition to America are impossible to separate.

The simplistic article of Marxist faith that capitalism is absolute evil, and that it is incarnated in and directed by the United States, may be the most important principle shared by the current crop of anti-globalizers. America is the object of their loathing because for a half century or more it has been the most prosperous and creative society on earth. But ultimately it is something even bigger that the anti-globalizers want to destroy: liberal democracy and free-market economics. Or quite simply liberty itself.

According to the anti-globalists, the global marketplace will breed ever-increasing poverty for the profit of an ever-richer minority. This is of course the outcome Karl Marx predicted in the middle of the nineteenth century for the industrialized nations of Western Europe and North America. But we all know how history has confirmed that brilliant prophecy. So the old prediction has been transferred to a new locale, new time, and new active agency. Ah, the genius of "scientific socialism."

But today's anti-globalists are much more than false prophets. Their violence has gone far beyond legitimate protest into real savagery. They have killed people through charming acts like bombing McDonald's restaurants. In Seattle, Nice, Genoa, and other cities, rioters destroyed millions of dollars worth of property and attacked officials and police.

Anti-globalists have tried to replace democracy with a despotism of the mob, advancing the brutal proposition that street demonstrators are more legitimate than elected governments. Wherever they have been active, their goal has been to prevent elected heads of state or appointed officials of international organizations from meeting. Like other totalitarians, they treat the mere expression of ideas contrary to their slogans as a crime.

Anti-globalizers have no ambition to advance a program by democratic means, for the simple reason that they don't have a

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program, or coherent ideas, or facts on their side. So instead they beat relentlessly on the archaic anti-capitalist and anti-American drum. In Genoa we saw red flags adorned with hammer and sickle, effigies of Che Guevara, and the acronym for the Red Brigades.

The anti-globalists are often incoherent. They brought mayhem to Seattle in the name of combating a "savage" globalism that "profits only the rich." Yet which groups met in Seattle? The World Trade Organization (WTO), whose role is precisely to monitor international economic transactions so as to prevent them from being "savage." There has not been a country in the world that hasn't been eager to be admitted into the WTO, and the poorest are the most eager.

At Genoa, the hooligans who smashed the facades of banks before the conference even began said they objected to rich countries that didn't care about the poor countries of the world. Actually, the goal of the international summit they were warring against was specifically to help poor countries. The eight leading industrial countries present were meeting to target aid for economic development in the Southern Hemisphere, and for creation of a global fund to finance the medical campaigns against AIDS, malaria, and tuberculosis, especially in sub-Saharan Africa.

If you ask the developing countries what they want, they will tell you they want *more* globalization, not less. What they desire most of all is freer access to the world's best markets for their products. So when well-heeled young radical protestors try to subvert meetings whose goal is to extend free trade and strengthen poor countries' ability to export goods, they actually act as enemies of the world's poor. The 2001 conference meeting in Quebec City that was invaded and wrecked by protestors, for example, had been organized to lay out the basis for a single American market that would open the rich northern countries of U.S. and Canada to the products of the poorer South American countries.

So it is astonishing when European leaders declare themselves "impressed" by the rioters, and convinced of the necessity to "dialogue" with them. It is grotesque to see the leftist press and political stratum, seemingly having learned nothing from the socialist catastrophes and absurdities of the last generation, now greet this new crusade against capitalism with open arms. The president of the French republic, Jacques Chirac, paid tribute to a "global social consciousness" and pleaded before his peers in favor of "normal and permanent dialogue" with the demonstrators.

Governments discredit themselves when they give in to violent demonstrators, because violence paralyzes democracy itself. Democrats worthy of the name should not forget that power is conferred by ballots, not by bricks hurled through windows. It is disturbing that the Left too often ignores this principle.

It's important to recall that it is only *market* globalization that the Left rejects. In fact, the Left has always hoped for globalization *without* the market—an ideologically correct world government. Soviet and Maoist communists always felt the vocational urge to impose their models on the whole of humanity, if need be by armed subversion, which they did not hesitate to use on five continents. Although they lack the means to undertake bellicose operations on such a scale, today's anti-globalizers are no less internationalist in their ambitions.

But history shows that only capitalism can deliver a form of globalism whose balance sheet, while not without liabilities, is on the whole positive. The beneficial effects of widening commerce were evident as far back as the Middle Ages and ancient Rome. But it was not until after the great explorations of the late fifteenth century and the growth of transatlantic trade that globalization in the modern sense of the term began. Merchant capitalism developed in the sixteenth and seventeenth centuries; the industrial revolution spread throughout Europe and North America from about 1840 to 1914.

It was Europe that created the first world markets, as her capital, technologies, languages, and people spread over every continent. She was the driving force of an international circulation of commodities, scientific knowledge, ideas, and techniques. After the catastrophe of World War I, Europe drew back and turned in on herself. Her supremacy became a thing of the past. She even became divided within as her countries erected barriers against each other.

On the other side of the Atlantic, the United States, Argentina, and Brazil, whose immense territories were traditionally open to immigrants and foreign products, barricaded themselves in turn. International trade plummeted, capital could no longer circulate, exchange controls were instituted and there were efforts to fix currencies by decree. All over the world, economic life stagnated and came to resemble what today's enemies of globalism desire for us. The result was not long in coming: the stock market crash of 1929, followed by the Great Depression, with tens of millions unemployed. (France would not return to her 1914 per capita income level until the beginning of the 1950s.)

After World War II, the United States became a powerful advocate in favor of free world commerce. If world economic activity at the turn of the millennium is now thoroughly global, capitalist, and U.S.-led, this has nothing to do with "arrogance." The enfeebling of the Europeans' position in the world is self-caused: They alone are responsible for their own heaped-up aberrations and follies over the first half of the past century. This weakening entailed the corresponding and virtually automatic rise of the United States.

Strikingly, Americans continue to increase their lead, even since the consolidation of the European Union. That a united Europe hasn't yet risen to the challenge is obviously not for lack of material and human resources, but rather for lack of understanding of how to use them. Inhibited by ideological prejudices, Europe, despite her successes, continues to live overshadowed by America. Witness the fact that the health of her economy is dependent on the state of America's economy: Whenever the latter goes into recession, as in the beginning of 2001, Europe falters.

Elsewhere, American-style market capitalism is equally successful and dominant. Third World countries have developed at sharply different rates basically according to the degree to which they have respected free markets, and left economic activity to private enterprise rather than to undertakings of the state. Even in

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nations like China where political communism has artificially prolonged its existence, it has done so only by thoroughly expunging economic socialism through privatization, appeals to foreign investors, deregulation of commerce, and establishment of cross-border trade agreements. Only Cuba and North Korea have clung to economic collectivism, with utterly disastrous results.

Will jealous activists from Europe and some other nations treat globalism as poisonous merely by virtue of its association with America? In July 2001, when the "Network of French Cultural Cooperation" gathered at France's Ministry of Foreign Affairs, French foreign minister Lionel Jospin called upon the participants to fight liberalizing, American-style globalization with *their* brand of globalization, which Jospin said would be based on the "affirmation of states against the unbridled laws of the market." In the process, France would replace America as the global leader.

This crusade has deep roots. Back in May 1944, Hubert Beuve-Méry, the future founder and editor of *Le Monde,* the most influential journal in France today, was able to write that "The Americans constitute a real danger for France.... They cling to a veritable cult of the idea of liberty [and] don't feel the need to liberate themselves from the servitudes that their capitalism entails." The fact that an important Frenchman was able to argue this even while France was occupied by the Nazis, with the possibility of American liberation being their only hope for a different future, indicates the depth of both the hatred for economic liberty and the anti-American obsession in France.

Resentments that lead to the rejection of every idea that comes from America simply because it is American can only weaken countries. To follow such a course is to let phobias become guiding principles. Does anyone really believe today that nations which substitute government edicts for economic markets are likelier to prosper? Must we close our eyes to the achievements of the last 50 years of increasing economic liberty, when worldwide production grew by a factor of six and the volume of exports by a factor of 17? Must investment capitalism abroad, the engine of extraordinary, racing progress for many previously poor countries, be banned just because it often brings links to America?

We French have had little to say against Saddam Hussein, Muammar Qaddafi, Kim Jong Il, Fidel Castro, Robert Mugabe, the imams of the Islamic Republic of Iran, or the bosses of China and Vietnam. We reserve our admonitions and our contempt and our attacks for the U.S., for Ronald Reagan and George W. Bush, and for Europeans like Margaret Thatcher, Silvio Berlusconi, and Tony Blair, because they are insufficiently hostile to capitalism. Our enemy is not the dictator but the free market economy.

Anti-globalizers make the same mistake. What's important to them is not the eradication of poverty. Rather, it is the propaganda value they gain from linking poverty to the spreading market economy. But this puts them on the wrong side of all evidence, of reality, of history.

Life expectancy in Third World countries has more than doubled during the free-market dominated second half of the twentieth century. In India, food production has grown by a factor of ten, leading to the elimination of massive famines. In Latin America, per capita income doubled between 1950 and 1985. Over the past 50 years, Latin America on the whole has experienced an annual growth of 5 percent. No European country can boast an equivalent rate. These figures show to what an extent the mantras about ever-increasing poverty spring from ignorance or simple dishonesty. Where poverty continues to exist today it is almost wholly due to ruinously inefficient public sectors.

This is most obvious in Africa, the only Third World continent to have actually declined. Impoverishment there has political, not economic, causes. It is statism, not the market, and socialism, not capitalism, that has destroyed the African economies. After independence, the African elites who formed the political leadership generally adopted the Soviet and Chinese systems. Thus they were able to assume absolute power with access to the levers of personal enrichment. And from communism they borrowed an infallible recipe for agricultural ruin: collectivizing the land, from Algeria to Tanzania, setting up "cooperatives" that quickly became unproductive.

In these fatal mistakes the Third World has had false friends. In particular, the privileged pseudo-revolutionaries of Seattle and Göteborg have encouraged them down the primrose path of anti-capitalism. Lacking any real knowledge about the African cataclysm, and careless about finding remedies, the anti-globalist agitators prefer hurling brickbats at their perennial hobgoblin to the moral imperative of saving and improving lives.

This just licenses Africa's socialist dictators to commit their robberies. In Madagascar, the anti-American radical Didier Ratsiraka received a fortune in francs, but the starving Madagascan people never had the slightest whiff of it. An investigative journalist could do well to search for traces in Switzerland or elsewhere of the billions of dollars stolen by the late Nigerian dictator Sani Abacha. And what's the point (other than irritating America) of defending Robert Mugabe, a typical dictator who has rigged every election in Zimbabwe and managed in 20 years to transform one of the most fertile lands of Africa into one of the most desolate? Between 1960 and 2000, Africa received *four times* as much funding and aid per capita as Latin America or Asia. How was it that these last two continents took off, and not Africa? By practicing capitalism and establishing world trade.

But it is pointless to set forth facts like these to anti-globalizers; they simply howl in indignation. In spreading the lie that globalization impoverishes the most needy, the protestors simply act upon their twin enthusiasms: anti-American and anti-capitalism. Their floating mass of some hundreds of thousands of demonstrators is their compensation for the frustration of having seen all the socialisms and all the revolutions fail. At a time when they have no positive alternative, yelling slogans and trashing cities and blocking international gatherings provide them with the illusion of moral action.

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Minority Report

A young pro-capitalist heroine shows that not all Europeans oppose economic liberty

Last year, a crowd of 80,000 Parisians gathered to say they had had enough of a strike by transportation unions which was paralyzing their city. This counter-demonstration was organized by a tiny, cheeky free-enterprise think tank and lobby called "Liberte, j'ecris ton nom" *(Liberty, I write your name). Sabine Herold, a young French woman enrolled in business school after earning a degree in political science from the University of Paris, is vice president of the group. She and her twentysomething friends present a fresh face of protest in France—as proponents of individual liberty and the free market, in a country long dominated by statism and socialist sentiment. When Herold electrified the 80,000 Parisians, thrilled admirers compared her to a young Margaret Thatcher or a new Joan of Arc. Critics suggested she must be a silly rich girl. In fact, Herold is neither silly nor rich, and her group intends to change France. Edward Grossman recently interviewed her for* The American Enterprise.

TAE: Is there as much anti-globalization sentiment here in France as one is told?
HEROLD: Absolutely! France leads when it comes to that. But what is anti-globalization? It's a refusal to face the world as it becomes one.
TAE: Does globalization imply Americanization?
HEROLD: Yes. Americanization means the global spread of products and ideas, especially that of individual liberty.
TAE: What's the effect on various cultures?
HEROLD: It often does mean a loss of national cultures. Yet it's up to the different people in each country to defend their own culture. If the French don't want to speak French, or if they want to eat at McDonald's, that's their decision. And may the best culture win.
TAE: What do your parents do?
HEROLD: They're schoolteachers in the little town where I grew up a hundred miles north of here.
TAE: Children of the Sixties?
HEROLD: Yes and no. They were in university in 1968, when the pseudo-revolutions took place, but they didn't participate. If they have any political leaning I'd say it's to the moderate right. They remember May 1968 as one enormous circus. Whereas many teachers well into their 50s romanticize the huge strikes, the students marching, etc. But these people tend to be socialists. Old '68-ers who keep wearing their hair long and everything.

After the "revolution" of '68 the cobblestones had to be removed from most of the streets so Parisians couldn't throw them at police. I don't miss that. It's reform we're after, not revolution.
TAE: Are your parents responsible for your ideas then?
HEROLD: Not really. Of course, thanks to them I've always been anti-communist. But there wasn't too much politics discussed at home.
TAE: And your teachers in high school?
HEROLD: Some used to rub me the wrong way by presenting the USSR as an alternative to the United States. I did have one teacher I valued. She had us read Montesquieu and Voltaire—our own writers preaching liberty.
TAE: Are French students exposed much to ideas of freedom and liberty?
HEROLD: Not much. It depends on what's assigned by the teachers, and in the university most are leftists. I became libertarian thanks to my own reading and to friends I made.
TAE: Which writers have influenced you most?
HEROLD: Well, Hayek of course. Tocqueville. And then the brilliant Raymond Aron. Writers who champion the free market, but as a means, not an end in itself. The end is individual liberty. A free market is the best way to protect and nurture and maximize individual liberty.
TAE: Is that so in all places, at all times? What about China?
HEROLD: The problem there isn't too much of a free market, but not enough. You haven't got a market in the real sense. Instead there's state monopolies and corruption. You need a license for everything at the local, regional, and national levels, and licenses mean bribes.
TAE: Is there something like a free market in the European Union or in your country?
HEROLD: Hardly. It's very difficult to start a new business, it takes so much time, you're crushed by taxes, and the greatest problem is bureaucracy.
TAE: What's the solution?
HEROLD: More economic liberty. We want to encourage reforms across the board, starting with education. We're preparing a report now on how the two national teachers' unions, both Trotskyite, contribute to the fact that 10 percent of kids leave school illiterate. My mother tells me of kids who just plain can't read.
TAE: What do talented French students want to do when they graduate?

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HEROLD: Many want to work abroad for some big international firm. The prospect of expatriation doesn't scare them. Many young people with good degrees in business and the sciences have more to hope for in the U.S. than here or in the E.U. Harvard has a larger research budget than all French universities combined. So you're seeing more and more expatriates.

TAE: Do you think France is declining?

HEROLD: Certainly many of its systems aren't working. What's needed is thoroughgoing reform, adaptation to local needs, privatization. In education, for instance, my group would keep the public system, but alongside it we'd encourage private schools and universities, and may the best system win.

French voters have had it with do-nothing politicians. That's one reason why the extreme Left and extreme Right are both gaining. In the absence of a true reforming party the only way to say "no" is to cast your vote that way. In general, our politicians lack courage. There's no will truly to reform. So far as Chirac is concerned, well, the minute there's a hint of a strike our president panics. Chirac is against all reform. An elderly gent worried about staying in power.

TAE: Would you ever go into politics?

HEROLD: I don't know. But in any case I wouldn't without first having worked and made a career in business. I want to know that I can be successful there.

TAE: What aspect of business?

HEROLD: I'd like to turn around companies in distress.

TAE: Are there many such in France?

HEROLD: There's no lack. It's due to our inability to adapt, to be competitive in the global market, and of course to our vast national and European Union bureaucracy and sky-high taxes.

TAE: How goes the unification of Europe?

HEROLD: Quite slowly. So far, we mainly have the rise of a super-bureaucracy.

TAE: How much anti-Americanism exists in France now?

HEROLD: A great deal! The U.S. is perceived by many as both friend and enemy, a country much stronger than ours. Many find this hard to accept. For me it's not an issue, although I'm a French patriot and French is my language and I feel at home only here.

TAE: Does anti-Americanism imply anti-Semitism?

HEROLD: Yes. There's a scary rise in anti-Semitism in France at the moment. Our media faithfully shows us the bodies of Palestinians killed by Israeli bullets and never those of Israelis killed by Palestinian bombs. And there are incidents of Jews here being attacked. You've got to read the newspapers very carefully to learn of it, because it's played down.

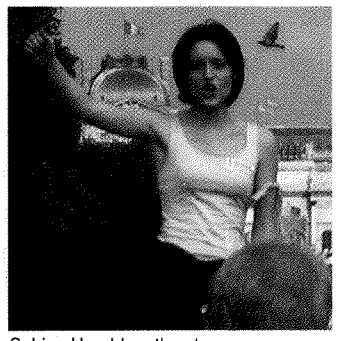
TAE: Are we speaking of just of a few roughnecks and Islamists in the Muslim community? Kids in the immigrant housing projects on the outskirts of Paris and other cities?

HEROLD: There's a general indifference among French leftists, which encourages this behavior. And of course on the extreme Left you have the international Jewish conspiracy theories—that's where anti-Americanism and anti-Semitism meet and why the French extreme Left allies itself with the Islamists.

TAE: Recently the National Assembly passed a law forbidding headscarves or any other conspicuous religious signs being worn

FRENCH, YET FREE ENTERPRISE

Excerpts from Sabine Herold's June 25, 2003 speech at the Paris anti-strike rally:


Sabine Herold on the stump.

France is not the best example of a free society. The weight of the state is overwhelming, and the collectivist vision of economy and welfare, inspired by an antique socialist philosophy, still rules. I lived six months in Hong Kong and one year in the U.K. I know that my country is still far away from being a true land of freedom. But as a French patriot, I do believe my generation is able and willing to participate in a wave of change. We do not want to grow our children in such an old society.

After decades of growing central state control, France is now facing one of the greatest challenges of its history: choosing between the road to freedom or the road to serfdom, as Hayek once wrote. Fully 25 percent of our active population between the ages of 20 and 60 years old is now working in the public sector. An average 55 percent of our gross domestic product is captured and controlled by the state. Our labor laws are so unfair and complicated that it is hard to tell if anyone in the country keeps track of their global purposes.

France's foreign policy is further evidence of our growing moral weakness. We were known to be freedom lovers and defenders, everywhere in the world. So why are we supporting dictatorships like Saddam's? Why do we receive Zimbabwe's Robert Mugabe in Paris, while no other developed country wants to host him? Why do we keep a low profile when Qaddafi's Libya is nominated head of the human rights commission for the United Nations? Why do we reject our natural ally and friend, the United States of America? I am ashamed of this foreign policy that makes no sense to me.

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in public schools. What's your thinking?

HEROLD: We think it's a bad law. Nobody has any business forcing a girl to wear a headscarf, and nobody has any business forbidding her doing it if she wants to. The headscarf law drags us into a kind of obligatory atheism.

Do you know one big reason Muslim girls chose to wear headscarves? It's because if they don't, they'll be treated like whores in the projects. They're afraid of being raped. There's the problem—the lack of security, the drug-trafficking, the jobless guys rolling around in BMWs. Not the headscarf as such.

TAE: What did 9/11 mean for you?

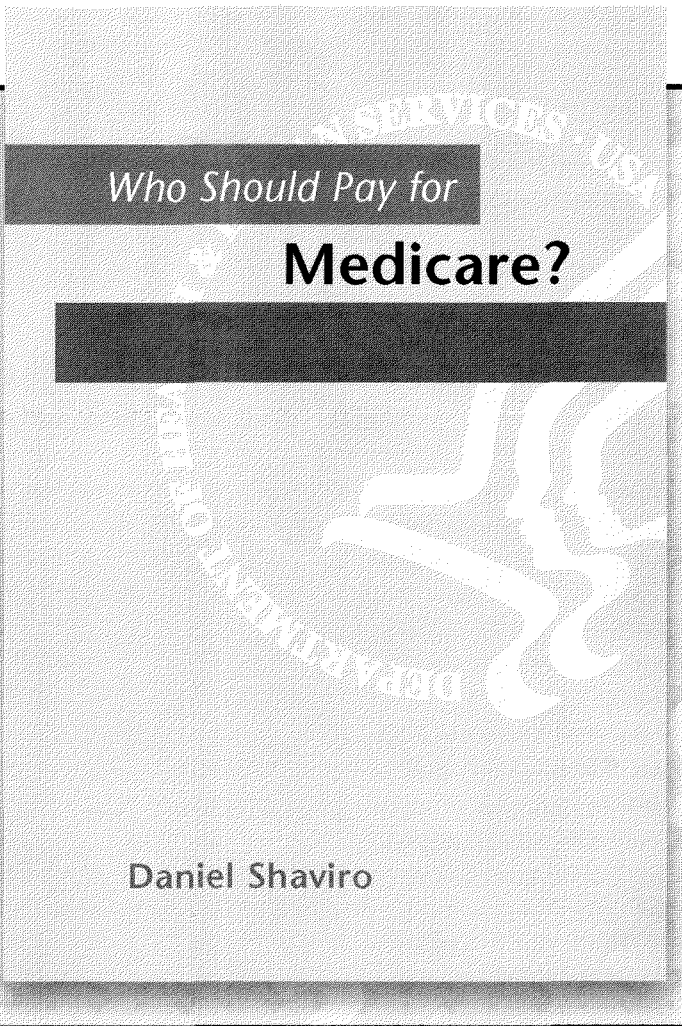
HEROLD: A page in history being turned. And for a while, even here, a great fear. But after a short while people went on with life as usual. As if it was only the U.S., and not France, involved! We have the same values; the U.S. symbolizes individual liberty; and so we ought to see 9/11 as an attack on us as well.

Before the Iraq war, our group held a rally in front of the American embassy supporting Franco-American friendship. At the time you had these so-called "peace" rallies which in fact were pure and simple expressions of hatred for America. You saw photomontages of Bush with Hitler. There were people walking around in bin Laden T-shirts. It was truly revolting.

The U.S. acted in Iraq to liberate a people from a tyrant who'd tortured and killed millions. Just because you can't cure all the ills of the world doesn't mean you should not cure any. Forty years of dictatorship can't be overcome in 15 days, but there's a free Iraqi press now, trade is picking up, and the Libyans and Saudis and Iranians have taken a lesson. The war was justified.

TAE: Do your critics accuse you of parrotting the American line?

HEROLD: Of course. And so? We're not blind supporters of American policy or George Bush. On Iraq we agreed with him. On other subjects like tariffs on imported steel we disagree. In any case, our main focus is on problems here at home.



Who Should Pay for Medicare?

Daniel Shaviro

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"Sprightly, opinionated, and entertaining. This book attempts, with considerable success, to explain what the questions and issues are, both for overall efficiency and for the distribution of the burden of paying for the program. Shaviro is especially strong in his ability to capture in a few sentences what takes most policy analysts paragraphs of turgid prose."—Mark Pauly, The Wharton School of the University of Pennsylvania

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The Free-Trade Movement's Achilles Heel

Humanity's oldest industry—farming—may be the last to be liberated

BY BLAKE HURST

Newscom.com/Photo Inc.

The World Trade Organization negotiations in Cancun broke down last year as the delegates clashed over agriculture. The leaders of the developing world have realized they can't compete with the treasuries of the European Union, Japan, and the United States when it comes to subsidizing farmers. And they don't want to talk about trade in industrial products and services until their agriculture products can be sold on an equal footing in rich countries.

Of course Third World countries, despite their complaints, have many distorting farm tariffs of their own. India, one of the leaders of the group that led the revolt in Cancun, has an agricultural trade surplus with the U.S. of over $800 million. Nonetheless, it's a serious weakness of the free-trade movement that most rich countries continue to protect their agriculture sectors with high walls. Reform of this age-old problem remains painfully slow if not absent altogether.

Poor countries are perhaps most irate about sugar, which both the E.U. and the U.S. protect with import quotas. The world price of sugar is currently about a third of our domestic price. If a sector as small as the sugar industry, which comprises about 1 percent of all agricultural sales in the U.S., is allowed to veto free-trade agreements, then progress is unlikely. Most people picture subsidized sugar producers as huge Florida conglomerates, fouling the Everglades and handing out fat political contributions. And those people do indeed exist (in the form of the Fanjul family). But many U.S. sugar producers are small farmers spread through the upper Midwest and the South. Montana State University estimates that sugar subsidies increase the price of land in Montana's sugar-beet growing areas by more than 30 percent. The same is true in each of the dozen or so states where sugar beets and sugar cane are grown. In the Dakotas, sugar offers revenues three times that of competing crops. No wonder sugar producers fight so hard for their protection from the world market.

Europe is in much the same position. The European Union estimates that liberalization of the sugar market would cut E.U. production by two thirds. Sugar exports from the E.U. (possible only with lavish subsidies) would cease completely, and imports would quintuple. Without the subsidized production that currently drives prices down, world sugar prices would increase 30 percent, while prices in the U.S. and Europe would tumble.

Critics of sugar tariffs point out that they hurt both cosumers and industries that use sugar, with an estimated 10,000 U.S. jobs lost in the last six years due simply to high sugar prices. But protectionism also takes its toll on *producers*. Farmers elsewhere in the world are now growing other crops because world sugar prices are artificially low. With rising sugar prices, they could cut their acreage devoted to other commodities,

TAE *contributing writer Blake Hurst raises corn, soybeans, and ornamental plants in Missouri.*

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providing U.S. farmers with new markets.

Sugar is subsidized at four times the rate of other crops in the U.S. The fact that this most heavily subsidized crop is also our least competitive isn't surprising. This is a reminder that protection and subsidies are the death knell for competition.

The very programs designed to help farmers are driving up our costs, and forcing production overseas.

The most egregious agricultural trade barriers exist in the European Union. The E.U. protects crops raised in Europe with tariffs and quotas, subsidizes domestic production directly, and rids itself of resulting surpluses with export subsidies. The U.S. uses each of these weapons as well, but much more modestly. The average E.U. tariff on grains is 50 percent, while U.S. tariffs on grain are less than 1 percent. The highest U.S. tariffs are on dairy products, which still are just half the level of E.U. tariffs for milk. And the U.S. is a piker compared to the E.U. in the use of export subsidies. From 1995 through 2000, the U.S. averaged $84 million dollars in annual export subsidies, while the E.U. averaged $5.5 *billion*.

According to the Organization for Economic Cooperation and Development, Europe provides *three times* as much to its farmers in producer supports as the U.S. (about $130 billion per year versus $40 billion). Agriculture subsidies are the single biggest item in the E.U. budget, and European farmers now derive fully half of their income from subsidies. European beef producers actually depend upon subsidies for nearly 80 percent of their incomes.

Where the E.U. is slowly reforming its agriculture policies, it is doing so not by cutting spending but by separating agricultural subsidies from production. Farmers will still receive government checks, but the checks won't be contingent upon them growing something. Presumably, being rational, farmers will quit producing those things that don't make economic sense and use their payments to maintain the beauty of the countryside, or something. The E.U. will require adherence to environmental and aesthetic rules to receive the subsidy, and inspectors will be checking.

The U.S. has its own system of payments to farmers whether they produce anything or not. These tend to raise the ire of non-farmers (and why not, since non-farmers don't receive payments just for being bartenders, or editors, or TV repairmen). But disconnecting subsidies from production does make the World Trade Organization happy—the theory being that you can do any fool thing for farmers you want, so long as you don't distort international prices or trade. It's true that "decoupled" payments don't increase production as much as direct subsidies tied to the quantity of foodstuffs produced. But they do maintain resources that would leave agriculture, because farmers tend to keep doing whatever they've been doing so long as there is money to buy seed and fertilizer.

Tariffs and subsidies aren't the only barriers to agricultural trade. The E.U. and Japan treat the latest agricultural technology with suspicion, and, largely as a result of the E.U.'s resistance to genetically modified corn and soybeans and bans of hormone-treated beef, U.S. farmers have gone from an agricultural surplus in trade with the E.U. to a deficit today. The corn ban alone costs U.S. producers "a few hundred million dollars a year," according to U.S. trade representative Robert Zoellick.

Recently, Germany announced it would consider approving the production and marketing of genetically modified corn. The Green Party wasn't happy, but their complaints were surprisingly muted: "While there is no specific scientific evidence linking GMOs to health risks, there are well-founded reservations and reasons for caution." The E.U. will soon begin implementing new laws to label foods containing genetically modified ingredients. The result will probably be a decline in the use of such products. This sort of thing doesn't qualify as a tariff, but it has much the same effect.

Common sense reigns in part of the southern hemisphere. Australia and New Zealand have very few subsidies. But even Australia isn't without sin, refusing entry to U.S. pork, citrus, and apples, and impeding the importation of feed grains because of highly questionable health measures. Except for these non-tariff trade barriers, unusual agriculture sense rules in the antipodes. Australia's and New Zealand's agriculture sectors are flourishing without subsidies.

Recently, I listened to a presentation from an Indiana farmer who also farms in Brazil. He had expanded in Brazil rather than at home because soybeans are cheaper to produce in South America. He shared his crop budgets with us, and, sure enough, the soybeans he raised in Brazil were more competitive than ours. Critics of free trade always emphasize that labor is cheaper elsewhere, or that lax environmental rules cut expenses. But this man was farming with the exact same technology in Brazil that he uses in Indiana, and although South American labor was less expensive, labor was a very small part of his costs.

The biggest difference in his production costs was the cost of the land. And guess what the main reason is for higher land costs in Indiana? The capitalized value of farm subsidies. Farm subsidies in the U.S., you see, are linked to acres farmed, and the promise of a continuing income stream from all those future subsidies raises the price of our farmland.

So the very programs designed to help farmers are driving up our costs, and forcing production overseas. This is another illustration that protection and subsidies are not only a tax on consumers, but in the long run also harmful to producers. It really is true that economic freedom and competition make everybody better at what they do, and ultimately richer. Our best trade policy would therefore be the simplest: Cut subsidies here in the U.S., and challenge our trading partners to do the same.

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A Message from Iraqis

Rend Rahim, the representative of the Iraqi Governing Council to the U.S. government, was a founding member of the Iraq Foundation, which promotes democracy and human rights in Iraq. On March 17 she delivered the following words at the American Enterprise Institute in Washington, D.C.

On the anniversary of the war and the removal of Saddam Hussein's regime, the Iraqi nation is very grateful for the U.S. efforts to liberate our people from a dictatorship that had stifled Iraq for 35 years.

The Iraqi people could not have done it alone. They needed salvation. And we, all of us 25 million Iraqis, appreciate it.

And we Iraqis still need the continuing support of the United States and the Coalition on numerous fronts—political support, diplomatic support, military security, financial support. We are in need of that today and we will need it for a long time to come.

Iraq is now a fragile country politically. We are surrounded by neighbors who may not wish us well. We are building a nation that is going to be, we hope, unique in the region because it will be democratic, pluralistic, federated. It will have responsible government, human rights, civil liberties, and all those good things that the countries in the region aspire to but haven't achieved. We want to do it. We want to do it first. This is not necessarily something that all our neighbors look forward to. We will work very closely with the United States in order to forge a long-term partnership.

Even I was beginning to think that Baghdad had turned into a Wild West country.

I was in Iraq between May and November last year. Then I came here as the representative of the Iraqi Governing Council to the U.S. and stayed until February. And I can tell you that the news coverage in the United States gives an extraordinarily one-sided view of the situation in Iraq. Even I, by the end of my ten weeks here, was beginning to think that Baghdad had turned into a Wild West country—that people were shooting each other in the streets, that nobody dared go out, that there was a general feeling of fear and foreboding in all the people and that the country, really, was not functioning.

And I decided that I absolutely needed to go back to get a reality check. I did indeed go back and the reality is nothing like what you see on television. Now, I understand that the media look for an event. And the more dramatic the event, the more it has blood and gore, the more it has shoot-outs and so on, the more interesting it is for the media.

But that is not the story of what is going on in most of Iraq. I went back there and realized what I had known in November but forgotten: that this was actually a country that was working. People were beginning to live normal lives. People had jobs. Students went to universities. Younger kids went to school. People went out shopping. They visited each other, they went to restaurants. They stayed out late at night. In the first few days I was rather flabbergasted because we would be invited out and we would stay out until midnight. I was very anxious at first—how could we possibly do this? This is supposed to be a dangerous country.

Newscom.com/Agence France Presse

Rend Rahim, Iraqi representative to the United States.

Indeed, the Iraqi people are doing everything that people in a normal

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country do. Are there dangers? Yes, of course. A prominent figure is likely to be targeted. One can also be at the wrong place at the wrong time. But these are the exceptions and not the rule of life. The news doesn't impart the sense of normalcy that is returning to the day-to-day life of Iraqis in Baghdad and other places. There's danger, but so is there living in Madrid. There is now danger living in France because terrorists are threatening the French with attacks. Iraqis live with the knowledge that there is terrorism in their country. But they also lead normal and active and productive lives.

The standard of living has risen enormously in Iraq. People now earn multiple times what they earned under Saddam Hussein's regime. We have very high unemployment, indeed, but that is changing. And the more foreign companies come in or Iraqi companies expand, the more that donor countries allocate funds and projects begin to be implemented, the less and less unemployment we have. And the growing numbers of people who do have jobs now have decent salaries that help them not only live, but live at a better standard of living.

Shopkeepers, taxi drivers, people who work in small jobs in the myriad companies that have sprung up, people who probably didn't have a telephone at home in the best of times under Saddam, now are buying cell phones. Satellite dishes, which were forbidden and punishable with at least six months in prison under Saddam, proliferate. When you fly over the neighborhoods surrounding the Baghdad airport, you see rooftops covered with satellite dishes.

So we are beginning to see prosperity in Iraq. The advantage of my being there from May through November is that I am conscious of the evolution. And it is this evolution in the country that the news does not capture.

And there is the vibrancy of civil society in Iraq. We have hundreds of new organizations springing up every day, including hundreds of women's groups. That is a very big story in Iraq because there was no such thing as civil society under Saddam Hussein. It was a totalitarian regime that penetrated into even the most private recesses of people's lives. Now people are free to organize and to advocate and to carry out their own programs.

The news doesn't impart the sense of normalcy that is returning to the day-to-day life of Iraqis in Baghdad and other places.

However, what we still need in Iraq is support for this new democracy. We have financial support for rebuilding Iraq physically. There's plenty of money for nuts and bolts and for bricks and mortar. What we need more of is support for this emerging democratic culture being created in Iraq. It's not easy. We have not had a democratic culture for at least 35 years.

We need to rebuild that democratic culture, because you cannot have democratic government unless you have a vibrant civil society which believes in democracy and which clings to democratic values. Such a society becomes a check on government in case government wants to deviate from the democratic principles that are outlined in a future constitution.

It is an extraordinary achievement that we now have an interim basic law that is the most progressive in the Arab world. If you think back a year ago, early March 2003, what were the Iraqis living under? They were living under a dictatorship where political life was nonexistent, political dialogue was punishable with death, where there was no political diversity, no political discourse. There were no political parties, and no politics. Iraqis were not able to participate in defining their future.

Less than a year later, we have gone through a process of political dialogue, political negotiation in which a wide array of individuals and parties and political groups have participated. The transitional law was not the creation of one person or one political party. It was a law that was forged by committee. This is not something that one usually applauds, but in the case of Iraq it was very important for it to be created by a large, diverse group, with different political views, different political values, and that was able to sit down over a period of eight to ten weeks and negotiate and debate and haggle in a manner that is truly indicative of an emerging acceptance of democracy.

The transitional law that we have is a product of that intense political debate and negotiation. Nobody left feeling they had gotten 100 percent of what they wanted, and nobody left feeling they got zero. We all accepted that this should not be a winner-take-all game. Everybody must have a vested interest in this transitional law.

And we did come up with a law which is, I think, a model for the region. What I like most about that law is the long section that guarantees basic human rights and basic civil rights to the Iraqi people. This is a success for Iraqis that was truly unthinkable a year ago. Whatever difficulties we have had and whatever problems we will face—and I do not pretend there will be no obstacles in our way—we Iraqis have achieved an enormous amount of success so far.

And we would like the world to acknowledge that success. We want the world to support us in that success. And at the forefront, we want the U.S. to be our partner.

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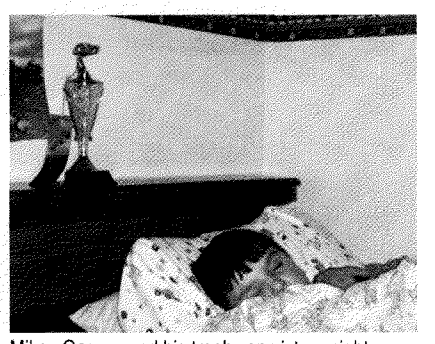
Model Fathers, Trophy Sons


Mikey George and his trophy on victory night.

By Dave George

OAKFIELD, NEW YORK—The Pinewood Derby, in which Cub Scouts make and then race small wooden cars, is a rite of passage for many American boys—and a terror for plenty of fathers.

Pinewood Derby families fall into two categories. There are the ones who have trouble figuring out which side of the sandpaper you use. That's my group. My father and I used a jackknife to shape our Derby car in 1970—not because we were handy with it, but because we didn't own any other tools—and then spray-painted it. We were pretty proud.

Until Derby night. Then we encountered the *other* class of kids—whose fathers were engineers, with basement wood shops more complete than some factories. They showed up carrying cars with multicolor paint jobs, weighted down with lead, wheels freshly lubed with silicone spray.

The first group went into shock at the sight, so they've either suppressed all memories or remember in painful, exquisite detail how they lost to precision-engineered machines. This winter, I kept a Pinewood Derby diary—just so the doctors would know what happened if my son or I had a breakdown.

December 17: A dark pall descends over what had been a happy holiday season: At his monthly pack meeting, my almost-seven-year-old son Michael received a Pinewood Derby kit. Earlier in the meeting, the pack made Christmas ornaments for needy families. Seeing the mess that Mikey and I made with mere construction paper and glue, I suggested our ornament should go to a blind needy family. Now we are expected to make a raceable car?

January 17: Desperate after a month of denial, I do what every geeky modern father does when stumped: I go on line. Finding a treasure trove of Pinewood advice on the Web, Mikey and I slide over to Hobby House Toys. I buy some weights and a tube of graphite lubricant. This month, Mikey finally masters zipping his coat. And he's supposed to build a racer?

February 8: It is time to cut the car. Because Pinewood Derby is supposed to be a father-son project, I have Mikey in the basement with me. He goes to his Little Tykes plastic workbench and grabs some plastic tools. I sketch a sleek aerodynamic design on the block of wood. Lacking a work bench of my own, I tie some old sweat pants as padding around a metal pole in my basement. Lacking the scrap wood I would have if I were a "real man," I use some paint-stirring sticks to protect the block of wood as I clamp the mess to the metal pole. Are those the tears of my shop teacher falling from heaven?

The wood keeps slipping under my borrowed coping saw (thank goodness for neighbors), resulting in a shape less Porsche-like than I'd imagined. I accidentally dig a big dent into the top of the car with the clamp, and leave behind several errant saw marks.

February 14: While Cupid shoots his arrows, I sit here with some 60-grit sandpaper, trying to get my, er, "our" car in better shape.

February 28: The car is painted—blue and orange, said Mike—and looking good! I even use our oven to cure the paint.

March 2: I spray on two coats of clear sealer. The car looks like glass. Then disaster. I figure if two coats look good, three will be better. Wrong. While curing coat three in the oven, the paint blisters in several places. My wife first cajoled me in from the window ledge, then talked me out of trying to fix the paint job.

March 5: We add the wheels! Wheel alignment is critical to Pinewood Derby success. Unfortunately, by the time the car crosses our kitchen floor it has turned 90 degrees.

March 17: Derby Day. My first reaction was exactly the one I had 34 years ago: Our car is one of the ugliest and crudest there! Two brothers' cars looked exactly like a cell phone and a remote control. There were racers with paint jobs better than the one on my real car.

Then the cars are raced…and we win each heat! At the end of the night Mikey squares off for the championship. He wins the first round, and comes in second for the next two, finishing third overall!

That night, we put Mikey to bed with his trophy on his dresser. When we looked in on him later, he'd moved it to a shelf right above his pillow. Note to my own dad: We finally got our honor back.

When not building cars, Dave George recruits engineers in the Rochester, New York area.

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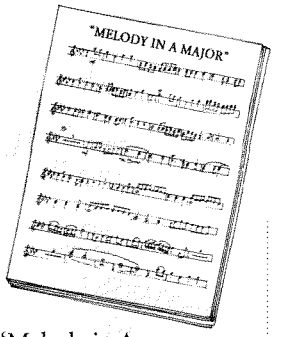
Flashback

To know nothing of what happened before you were born is to remain ever a child—Cicero



The Melodious Veep

By Bill Kauffman

The only U.S. Vice President to have written a tune covered by Van Morrison and the Four Tops knew something of the fickleness of fame.

Charles G. Dawes, the Chicago banker who served under Calvin Coolidge, had a great-great-grandfather who rode with Paul Revere (the patriot, not the guy who played keyboards for the Raiders). Legend has it that Longfellow memorialized only the silversmith, and not Dawes' ancestor, because "the name Revere rhymed better." A later poet, Helen Moore, would write sympathetically:

> 'Tis all very well for the children to hear
> Of the midnight ride of Paul Revere;
> But why should my name be quite forgot
> Who rode as boldly and well, God wot?
> Why should I ask? The reason is clear:
> My name was Dawes and his Revere.

Charles Dawes, descendant of the eclipsed rider, first made his mark rather less heroically, as a lieutenant in the Mark Hanna political machine that elected William McKinley President. Dawes' subsequent stint as comptroller of the currency led naturally into banking, but he was musical enough to stand out among the plutocrats. As one journalist wrote, "In the conformist Dawes there is bottled up an individualist. In the banker Dawes there is bottled up an artist."

Charles Dawes composed "Melody in A Major" in a single piano sitting in 1911. "It's just a tune that I got in my head, so I set it down," he said modestly. Dawes played it for a friend, violinist Francis MacMillan, who showed it to a publisher, and before he knew it, Dawes was a composer.

"No one told me it had been published," he recalled. "I was walking down State Street and came to a music shop. I saw a poster-size picture of myself, my name plastered all over the window in large letters and the window space entirely filled with the sheet music."

A phonograph recording of "Melody in A Major" sold briskly, to Dawes' amusement: "My business is that of a banker and few bankers have won renown as composers of music. I know that I will be the target of my punster friends. They will say that if all the notes in my bank are as bad as my musical ones, they are not worth the paper they were written on."

The banker-composer kept a hand (and wallet) in Republican politics. His ticket to national office was punched when in 1921, appearing before a Congressional committee investigating profiteering in the First World War, he bellowed, "Helen Maria! We weren't trying to keep a set of books; we were trying to win the war."

His Oliver North-ish outburst caught the voters' fancy, though with his martial swagger it was easy to forget that Dawes was chief of supply procurement, not a battle-grimed doughboy.

Running with Coolidge in 1924, Dawes entertained reporters with his "picturesque vocabulary, the odd collars, the strange pipes, the superficial don't-give-a-whoopness, the exaggeration of manner, the incoherence." And "wherever he went," as biographer Bascom Timmons wrote, "his 'Melody in A Major' was being manhandled by bands of every description."

Dawes complained, "General Sherman, with justifiable profanity once expressed his detestation of the tune 'Marching Through Georgia,' to which he was compelled to listen whenever he appeared anywhere. I sympathize with his feeling when I listen to this piece of mine over and over. If it had not been fairly good music I should have been subjected to unlimited ridicule."

In 1951, lyricist Carl Sigman supplied words to Dawes' music. They began:

> Many a tear has to fall
> but it's all in the game...

First recorded by crooner Tommy Edwards, "It's All in the Game" has been cooed, barked, purred, and growled by Dinah Shore, Sammy Kaye, the Four Tops, Cliff Richard, and Van Morrison. Edwards' soulful 1958 version made it to #1 on the Billboard charts. His recording remains the standard, though rock writer Dave Marsh regards Van Morrison's 1979 rendering as "one of the most emotionally revealing travels through the history of pop music."

Charles Dawes died in 1951, the year his wordless melody took lyrical flight. If he is as forgotten as the ancestor who rode with Revere, well, Chuck, it's all in the game...

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Whine, the Beloved Country!

By James K. Glassman

George (Jack Nicholson): You know, this used to be a helluva good country. I can't understand what's gone wrong with it. Billy (Dennis Hopper): Man, everybody got chicken. That's what happened, man.

—Easy Rider

Actually, it's still a helluva good country, but Billy has a point. Lots of people got chicken. Or more precisely, lots of people started whining.

There is a new culture of complaint in America, and it has surfaced with a vengeance in the recent clamor over outsourcing. Outsourcing—the purchase of services abroad by U.S. companies—is simply another form of trade. And trade, as economists since Adam Smith have pointed, is beneficial to both sides of the transaction.

Yes, trade can plunge previously insulated workers into competition with foreigners. That can cause pain and lost jobs. What's troubling is the reaction here to that competition. Understand that outsourcing is a pebble in the ocean of macroeconomic effects, compared to the boost to the economy from tax cuts and low interest rates and the drag from the terrorist attacks. But the recent reaction to outsourcing makes it seem like a tidal wave.

The reaction: whining, whining, complaining. Indians and Chinese are stealing our jobs. They work for cheap. "We can compete with anybody…if we have a fair and balanced playing field," said Senator Tom Daschle (D-SD) in an interview with CNN's Lou Dobbs. "It's not fair today and we know that."

Not fair! Was life "fair" to the forebears of today's complainers when they came to America without a job or grasp of the English language, without education, without welfare? Was life fair to the Americans who made their way to, say, the plains of South Dakota, fighting vicious weather and difficult farming conditions?

And it's not just outsourcing that brings out the crybabies. Encouraged by trial lawyers, Americans now seek redress for practically every grievance, including the fact that they are fat, or that banks lend them money when they're not creditworthy. "Cable TV made a West Bend man addicted to TV, caused his wife to be overweight and his kids to be lazy, he says. And he's threatening to sue the cable company," reported a Wisconsin newspaper recently.

The truth is that life in America has improved so much in the past century that we have forgotten what it is to struggle. We hear whines that schools are overcrowded today. Actually, the ratio of students to teachers has gone from 30:1 in 1955 to 19:1 now. We hear whining about pay. Yet total compensation, adjusted for inflation, has *tripled* since 1947, and the cost of necessities has plummeted. Food in 1950 represented about one third of a family's total expenditures; today, it's one seventh.

Our advantage over the Indians and the Chinese—and the Italians, for that matter—is that we have the world's best system of college education, its most vigorous entrepreneurs, its most abundant capital. Is it *fair* for Americans, with our rich infrastructure, our clean water, our incredible financial markets, to compete against poor Indians who have to climb over sleeping beggars on their way to work? Who should be complaining here?

America's Gross Domestic Product is greater than the next five countries *combined*. Our unemployment rate of 5.7 percent—while higher than it was before the 2001 recession—is still lower than the average U.S. rate in the 1970s, 1980s, and 1990s. Unemployment in France is 9.6 percent. In Germany, 10.4 percent. And we're complaining?

Two thirds of Americans now own their own homes. We have more cars, more children in college, more cultural institutions. We work shorter hours. Yes, some people have trouble making ends meet, and over the past few years many hard workers have lost their jobs. But on the whole, we're more prosperous than any other nation in history—and far better off than we were in the past.

And still, Americans complain.

As the late Gilda Radner of "Saturday Night Live" joked endearingly, "It's always something." But there is a darker side. Too much whining could presage a decadent and complacent America (much like present-day Europe) where every obstacle and minor setback is viewed not as a challenge, but as a personal affront. And of course someone else's fault.

Can an economy built on the bracing principles of "creative destruction" survive in a society that demands an easy ride everywhere? Not on your life.

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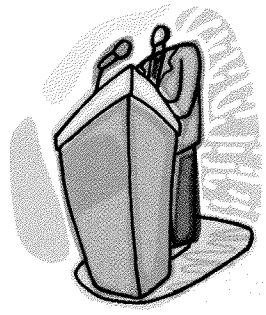

Kerry the Un-Electable

By Grover Norquist

When John Kerry won the Iowa caucuses on January 19, Democrats bravely told themselves they were voting for electability. All the other challengers had nailed their colors to particular Democratic party special interests. Howard Dean was the candidate of left-wing anti-Bush enthusiasts; John Edwards of trial lawyer money and the South; Dick Gephardt of labor unions; Joe Lieberman of the disappearing moderate Democrats; Al Sharpton and Carol Moseley-Braun of the African-American vote.

Crowning Kerry with the virtue of "electability," though, is like a teenage boy telling a young lady she has a "good personality." That usually means you can't think of anything better to say.

Surely Kerry is a stronger candidate in a general election than Dean. Or is he? Howard Dean was seen as out of the mainstream on two issues: His venomous opposition to the Iraq war and his early support of civil unions for homosexual couples. Dean opposed the Iraq war at a time when many expected U.S. troops to find buckets of anthrax beneath Baghdad. That would have crippled the candidacy of any vocal opponent of the war. But the expected WMDs were not found, and though Dean's skepticism may not be a vote winner in a general election, it is probably not a fatal liability. And his radical, too-weird-for-middle-America position on civil unions is suddenly the default position for many conservatives—including President Bush—who have made stopping same-sex marriages their priority instead. Even Dean's disastrous rant on Iowa's election night would have been treated as cute if he had won.

While Dean would have been no prize candidate, John Kerry is actually a weaker one on several fronts. Kerry has served in the Senate for 19 years and has a voting record best described as a "target-rich environment." His votes closely track Senator Edward Kennedy's—during a period when Kennedy's Presidential aspirations had given way to his run for the title of "History's Greatest Liberal Senator." This long, publicly-available-on-the-Internet voting record has already exposed Americans to Kerry's 350 different votes for higher taxes. The American Shareholder Association has compiled a book of Kerry's attacks on the investor class, beginning with 15 votes against reduction of the capital gains tax.

Kerry, like Michael Dukakis, grew up in a politically isolated community. Dukakis actually believed he was being politically appealing when he bragged that he was a "card carrying" member of the ACLU and opposed mandatory flag saluting. Pundits speak of coming from "Inside the Beltway" as a signal of a Washingtonian's distance from middle America. But if you come from inside Route 128—which rings Cambridge and Boston—you occupy a different political *planet* from most Americans.

John Kerry (like Al Gore before him) suffers from the very opposite of the challenge faced by Johnny Cash's "A Boy Named Sue"—whose unconventional name forced him to learn to defend himself at a young age. Neither Kerry nor Gore had to defend or rationalize their core left-of-center values growing up—not at prep school, not in college, not among the liberal peers or family members who circulated in their wealthy circles. That is why both men bristle at any criticism or challenge: They have never faced it before.

Kerry also faces the Gary Hart problem: The press has so far loyally refused to print anything seriously negative about him. The journalists who covered for Hart's philandering did him a false favor. When he reached the highest level of competition, he was scorched by a level of scrutiny he had never had to face before. Kerry's unpleasant personality and his fellow senators' dislike of him are widely known by reporters in Washington—but so far not written about.

The last challenge is one any Democratic nominee would face. Every left-of-center voting bloc wants Kerry to win, for sure. But plenty of leading Democrats wouldn't mind seeing him lose: If Bush wins, the Presidency would be available to them in 2008 as an open seat. If Kerry wins, the next clear opening doesn't come up until 2012.

President Bush, on the other hand, is surrounded by ambitious Republicans who wish him well and prefer a retiring Bush and Cheney in 2008. Even the Bush-hating John McCain would prefer that scenario to running against an incumbent John Kerry in 2008.

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Not So Great Dane

By Josh Larsen

©Lions Gate Films

Nicole Kidman postures her way through the dreadful *Dogville*.

Lars von Trier's *Dogville* is a movie so hermetic, so muddled, so ignorantly invective toward the United States that it has done the impossible: turn off even the most politically biased of American movie critics, just the sort of intellectual expatriates who normally lap up silly stunts such as this.

Shot entirely on a bare stage with few sets—chalk marks outline rooms and buildings, while actors mime walking through doors—*Dogville* takes place in a small Rocky Mountain "town" in the 1930s. When a woman (Nicole Kidman) flees there while on the run from gangsters, an idealistic writer (Paul Bettany) takes her in and convinces his neighbors to hide her. Their kindness soon turns toward exploitation, resulting in a half-baked, infantile statement about conformity and capitalism.

Tracing the movie's reception, from its love-it-or-hate-it debut at the 2003 Cannes International Film Festival to its slow release across the United States this spring, has been a study in the limits of critical bias. If you feel that the political bent of reviewers often trumps the offensiveness of bad art, take heart. *Dogville* is so bad it has knocked off blinders.

There have been defenders, though most of them stress the importance of having a provocateur such as von Trier at work rather than any merit to *Dogville*. I'd agree, to an extent—American movies could use fewer placaters and more troublemakers—yet it's a sure sign of a director in decline when his mere existence is praised more than his output.

More revealing have been the negative reviews, and not just the ones from those who have always hated von Trier. Amidst the boos have been voices you would expect to be offering praise. David Denby of the *New Yorker*, for instance, called the film "pedantic, obtuse and unwatchable," as well as "inept avant-gardism." Jonathan Rosenbaum of the *Chicago Reader*, who appears to be physically incapable of writing a review without making a negative reference to the Bush administration, admitted that calling "this blend of Brecht and *Our Town* anti-American may be overrating its ideological coherence."

Perhaps the most thoughtful hit piece from an unlikely source came from David Edelstein, film critic at *Slate*. Calling von Trier a "preening, misanthropic bully," he elaborated: "Not that there's anything wrong with political art, but for all its didacticism and 'alienation' effects, the politics of *Dogville* are on par with a third-rate gangster picture: cheap, opportunistic nihilism, with no enlivening sense of humor."

What shook common sense into these critics? What made them choose art over politics? For the first time that I've seen, von Trier took off his mask. His two most notable films to date—1996's *Breaking the Waves* and 2000's *Dancer in the Dark*—share similarities with *Dogville*: All three feature a bold, formalistic filmmaking style, suffering female protagonists, and intermittent critiques of the United States (a country von Trier, who is Danish, *has never visited*). Yet *Dogville*, with its sterile set and simplistic ideology—not to mention the simpering mannequin Kidman in the lead—reveals the filmmaker for all to see. He's exactly the bully Edelstein accused him of being.

Bullies have many common characteristics, but one trait they don't usually share is intelligence. With his end-credits sequence, von Trier proves himself a fool as well as an attack dog. To the tune of David Bowie's "Young Americans," his screen reveals a series of still photographs of poor, destitute families, most of which seem to have been taken in rural America in the early 1900s. As the credits roll on, von Trier adds pictures of the poor from the contemporary United States. There is no connection to anything in *Dogville*.

I've encountered more serious and engaging critiques on the editorial pages of junior-high-school newspapers. What a relief that many of this country's most influential critics felt the same.

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Beat the Press

The hand that rules the press…rules the country—Judge Learned Hand

In Media Disgrace

By Morton Keller

The *New York Times* and its supporters insist that the newspaper blurs news and opinion only occasionally. Its critics insist this happens frequently, and could be avoided. So who's right?

One useful indicator is the *Times*' "Corrections" page during the elections of 2000 and 2002, which reveals a consistent pattern of disfavoring Republicans. Some representative extracts, in the paper's own words:

• "A headline yesterday…about Gov. George W. Bush's Presidential campaign said in some copies that he had stressed integrity '...Even as Drunken-Driving Arrest Raises Questions of Character.' That phrasing exceeded the facts of the article, and its opinionated tone was unintended." [Nov. 5, 2000]

• "An article...yesterday reported an assertion that Justice Clarence Thomas ...faced a serious conflict of interest because of his wife's work for the Heritage Foundation…. In its 12th paragraph, the article said [the person] who raised the conflict question was an associate of Vice President Al Gore's family, and the 14th paragraph reported that the *Times* had been directed to that judge by 'someone in the Gore campaign.' The partisan nature of the source should have been made clear more promptly and reflected in…the headline." [Dec. 13, 2000]

• "An article...about the congressional election in New Mexico's Second District referred incompletely to the presence of Hispanic candidates in the campaign for governor.… The Democratic candidate for governor, Bill Richardson, is not the only Hispanic in the race; the Republican candidate, John Sanchez, is another." [Oct. 16, 2002]

• "An article yesterday about a California judge's victory...making her the first openly gay elected prosecutor in the country, misstated her political affiliation. The judge, Bonnie Dumanis, is a Republican." [Nov. 14, 2002]

• "An article on Thursday about comments on the midterm elections by...Karl Rove...misstated the question to which he responded, 'I'm concerned about the 3,000 who died on 9/11.' The questioner had asked whether he was concerned about 200,000 people who she said marched in Washington against a war with Iraq—not about concerns that 200,000 innocent Iraqis might die in an American-led invasion." [Nov. 16, 2002]

The perception of partisanship and journalistic slippage at the Gray Lady was deepened by the Jayson Blair and Richard Bragg affairs. Blair manufactured dozens of phony stories and got away with it for so long in part because he was black. "You have a right to ask if I, as a white man, from Alabama, with [liberal] convictions, gave him one chance too many," confessed *Times* editor Howell Raines. "When I look into my heart for the truth of that, the answer is yes."

The Rick Bragg episode, following soon after, also involved dissimulation. Many of Bragg's stories turn out to have been produced mostly by assistants. In defending this, Bragg gave voice to a fuzzy journalistic sensibility. "I had a much better pair of eyes than I have right now out there. We often re-create a scene, or an image, based on someone's memory."

Arthur Sulzberger Jr., who succeeded his father at the helm of the *New York Times* in 1992, adopted much of the prevailing counterculture style during his college years in the early 1970s—including two arrests while participating in anti-Vietnam War demonstrations. Sulzberger reportedly picked Howell Raines as editor because Raines reflected his "confrontational personality and outspoken views." We shouldn't be surprised that a man noted for ideological liberalism (as well as cutthroat business tactics) presided over a slackened commitment to traditional journalistic objectivity.

Other papers have managed better. The *Wall Street Journal*, whose publisher and editor are as committed to conservatism as their *Times* counterparts are to liberalism, has maintained a cleaner separation of news and opinion. *Journal* publisher Peter Kann recently warned against the besetting sins of modern journalism: "the anonymous negative quote…the loaded adjective where no adjective is needed, the analysis that edges across the line to personal opinion."

He might have had the *Times* in mind.

Morton Keller is professor emeritus of history at Brandeis University.

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BookTalk

COMPETE OR WITHER

By Scott Walter

Hard America, Soft America: Competition vs. Coddling and the Battle for the Nation's Future
By Michael Barone
Crown Forum, 178 pages, $22

Somehow, observes Michael Barone, America produces "incompetent 18-year-olds but remarkably competent 30-year-olds." For decades our young have performed badly on standardized tests and generally seem "unready for adult endeavor." But Americans at 30, by contrast, are "the most competent people in the world." They power the globe's strongest economy, are unmatched in science and technology, and "man the strongest and most agile military the world has ever seen."

What explains the paradox? Barone says young Americans live in "Soft America"—where there is little competition and accountability. But from 18 to 30 they live mostly in the nation's crucibles of competition, high standards, and accountability. "Soft America coddles." Hard America, in offices and in foxholes, "plays for keeps."

And so Barone, co-author of the *Almanac of American Politics*, sets out to describe the landscape of Hard and Soft America, bringing the same keenness of vision for which his "Bible" of politics is famous. Calmly and fairly sketching the country's last century, he has written a pithy and convincing brief for conservative politics. He begins in 1900 with the hardships faced by the 90 percent of Americans who didn't even graduate from high school. Those suffering illness, injury, or abandonment could expect no government aid and only spotty private assistance. Life, especially in the cities, was so hard that a quarter of urbanites never married (today the figure is 8 percent).

Still, there was surprisingly little political unrest. Social criticism came mostly from intellectual elites like the so-called Progressives. They achieved some softening of work conditions and relaxed educational standards. The New Deal further softened the economy and, together with World War II, brought about what Barone calls "Big Unit America," dominated by Big Business, Big Government, and Big Labor. The Big Unit economy produced "rigid, pyramidal organizations" that were "full of Soft niches."

Mid-century America was ripe for change. A "Hard private-sector economy" slowly began to overtake "the Softer Big Unit economy." Post-war Los Angeles, for instance, generated one out of every eight new jobs in America, and most of these came thanks to "small operators."

Another critical mid-century development was the civil rights movement. The lives of blacks in the South were, in Barone's terms, hard but not Hard. They faced many injustices, not least being barred from "the rigor of Hard America" and the achievements it inspires. Many whites tried to compensate for this unfairness by softening the criminal justice system, the welfare system, and the schools.

As a result, imprisonment of criminals declined even as crime rates rose. Social workers lavished welfare benefits on the poor, and schools lowered expectations. The nadir of this softening spanned 1965-75, when both welfare dependency and crime rates *tripled* nationwide. Barone chides "the great mass of well-meaning Americans" who intended to remedy injustice but "in fact increased and perpetuated misery."

The U.S. military likewise reached lows of performance in the '70s. The economy got Soft, too. Even our money Softened, as inflation skyrocketed under Nixon. In the 1970s growth disappeared, shortages mounted, and elites predicted irreversible social decline.

But during this Softening, Hard countercurrents were building. On the crime front, imprisonment began to rise in the late '70s, new ideas of policing were put into action in Rudy Giuliani's New York and elsewhere in the '90s, and crime rates finally plunged. The military largely reformed itself—with some help from Congress—and began emphasizing high standards, accountability, and "fluid, fast-moving tactics." By 1991, the first Gulf War showed the superior quality of our Hardened armed forces.

Then there is the Hardening of the economy, a story Barone tells especially well. Big (but Soft) Business declined from the mid 1970s to the late '90s, its

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share of GDP and the workforce halved, even as aggressive small firms built jobs and assets. From the late '60s to the 1980s, deregulation dramatically Hardened competition in such industries as trucking, airlines, telecom, and oil.

Meanwhile, entrepreneurs like Microsoft's Bill Gates, Intel's Andy Grove, Wal-Mart's Sam Walton, FedEx's Fred Smith, and GE's Jack Welch were flattening corporate hierarchies, boosting competition, and demanding accountability for results. In the financial world, hard-edged entrepreneurs like Michael Milken and Henry Kravis brought growth-inducing innovations that strengthened the economy's sinews. The rise of 401(k) plans spread this culture of personal responsibility broadly through the middle class.

Our welfare system began to Harden in the late '80s, with the breakthrough federal welfare reform of 1996 dramatically reducing dependency and child poverty. Public schools have mostly resisted Hardening. They remain our nation's weakest institutions, though Barone does see the beginnings of possible improvement.

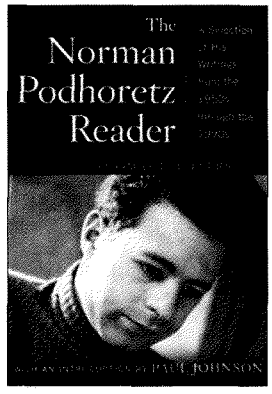
Although he stresses that the proper boundaries of Soft and Hard America are always debatable, Barone has no doubt as to which is primary. "Soft America lives off the productivity, creativity, and competence of Hard America," he writes. "We have the luxury of keeping parts of our society Soft only if we keep enough of it Hard."

TAE *contributing editor Scott Walter is vice president of The Philanthropy Roundtable.*

MAN OF LETTERS

By David Evanier

The Norman Podhoretz Reader: A Selection of His Writings from the 1950s through the 1990s
Edited by Thomas Jeffers
Free Press, $35, 496 pages



New York City writer, polemicist, and man of letters Norman Podhoretz is consistently consigned to pigeonholes and niches by his enemies on the left. Yet he regularly springs out of them by force of intellect and originality. Writers who come to mind when reading Podhoretz include Edmund Wilson and George Orwell. But no one writing today can be so closely compared to him as Paul Johnson, the British editor and historian who provides the penetrating introduction of this volume. Johnson writes that Podhoretz's thoughts are "deep, sinewy, often very direct and even strident, but equally often surprising and unexpected, never predictable."

As Johnson suggests, Podhoretz is at heart a surpriser; he never lands quite where you expect. This tendency derives from an open-ended intellect and a capacity for literary criticism and political analysis that strives, as Matthew Arnold wrote, "to see the object as in itself it really is." In his 1963 essay, "My Negro Problem—and Ours," Podhoretz turned from the social-protest writing of the period to reflect, without an ounce of racism and fully supportive of the struggle for integration, on his own experience growing up in the poverty-stricken Brooklyn neighborhood of Brownsville: "For a long time I was puzzled to think that Jews were supposed to be rich when the only Jews I knew were poor, and that Negroes were supposed to be persecuted when it was the Negroes who were doing the only persecuting I knew about—and doing it, moreover, to *me*." He writes that "it was the whites, the Italians, and Jews, who feared the Negroes, not the other way around." This is Podhoretz the troublemaker from way back, offending his brethren on the left with truth-telling that adds nuance and complexity. As politically incorrect as it is, that essay has made its way into many anthologies of black-white dialogue, its brilliance overcoming its detractors.

"Israel—With Grandchildren" is another powerful essay. Its argument against the Israeli Left's undermining of its country's capacity for survival (a clear parallel to the role of the Left in the U.S. in opposing a strong military) is intensified by the naked emotion Podhoretz expresses in his fear for his grandchildren in Israel. Podhoretz's writing is clear and pure.

Whether as memoirist, political thinker, or literary critic, Podhoretz unravels complex issues with iron logic and honest emotion. He is a shrewd—but appreciative—critic of Philip Roth, Mark Twain, Vladimir Nabokov, and Milan Kundera. He is generous and fair, and does not shrink from criticizing friends and praising foes.

He offers, for instance, a devastating appraisal of the limitations of Saul Bellow. Bellow is as close to Podhoretz's ideological camp as any living writer, and one who has attempted "a sense of joyous connection with the common grain of American life." But in Podhoretz's perceptive view, what emerged in *The Adventures of Augie March* was a strained optimism, a "willed buoyancy" expressed by a protagonist "who is curiously untouched by his experience, who never changes or develops, who goes through everything but undergoes nothing." Podhoretz concludes with regret that all of Bellow's voices are the author's own, not autonomous creations, and that Bellow has written a series of essays in the form of novels. Podhoretz had a similar take on Aleksandr Solzhenitsyn. Deeply appreciative of Solzhenitzyn as hero and man and historian in *Gulag Archipelago* and *The Oak and the Calf*, he sadly dismisses Solzhenitzyn's fiction (except *Ivan Denisovich*) as hopelessly wooden.

It is personal experience clearly

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observed that has shaped Podhoretz's politics more than anything else. He has approvingly cited Irving Kristol's definition of the neoconservative as "a liberal mugged by reality." Podhoretz was part of the liberal establishment in the 1950s, but when the counterculture brought hatred of America, open-hearted support for the enemies of the United States, and glorification of crime and drug addiction, Podhoretz began to question the perceptiveness of his friends like Norman Mailer, Lillian Hellman, and Allen Ginsberg.

He was particularly sensitive to the New Left's scorn for literature of any kind—except the literature declaring the uselessness of literature itself. Like "Soviet realism," it held that reflection and introspection were enemies of revolutionary change. Literary nuance, complexity, and ambivalence in writing of the human condition were despised. The outcome of these attitudes, in Podhoretz's view, was a diminution in the scope of literature, a loss from which it has yet to recover.

Podhoretz still feels guilt for having been part of a process that caused so much harm to America in the artistic and political realms. It was a short step from that realization to deciding which way of life was worth defending and fighting for. Even while he was a critic of the Vietnam War, Podhoretz could not accept the idea that "the entire policy of trying to check the spread of communism was…morally wrong as well." In *Commentary,* the journal he edited, Podhoretz launched an offensive against the New Left in 1970, with the aim of supporting anti-communism in American foreign policy. It was in large measure an atonement for the part he felt he had played in the destruction of American will. He published two major books in that period, *Why We Were In Vietnam* and *The Present Danger*, and until the fall of communism two decades later virtually abandoned his literary interests to help repair the cultural damage done by the radical Left in the 1960s.

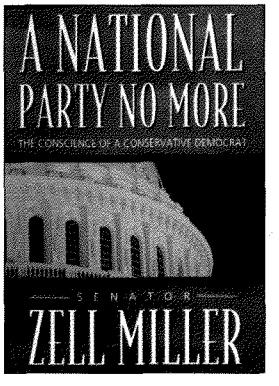
Having retired in 1995 from 35 years as editor of *Commentary*, Podhoretz went on to write some of the best prose of his life in scores of essays and three recent books, including his small masterpiece *My Love Affair With America*. In this collection, the reader is left with a feast of 50 years of prescient and often luminous writing. Podhoretz's essays from the 1950s and '60s are often devoted to literary and cultural issues. The '70s and '80s works focus mostly on the questions of totalitarianism, the Left, communism, and Vietnam. In the '90s, with the collapse of communism, Podhoretz returns to such cultural matters as censorship, free speech, the autonomy of art, Philip Roth, Ralph Ellison, and even the beauty of Central Park and New York in the spring. Throughout this body of writing, Podhoretz conveys a passionate commitment to literature, culture, and politics that is leavened by indelible logic and reason.

David Evanier is author of The One-Star Jew, Red Love, *and* Making the Wiseguys Weep.

SOUTHERN MANIFESTO

By Susanna Dokupil

A National Party No More: The Conscience of a Conservative Democrat
By Senator Zell Miller
Stroud & Hall, 256 pages, $26



In his latest book, Democratic Senator Zell Miller takes his party out behind the woodshed and applies the willow branch. The senator opens with stories of his youth that shaped his moral and political values. He acknowledges his debt to his mother, his wife, and the Democratic Party, to which he remains staunchly loyal. But Senator Miller believes his party has lost its way, beholden to special interest groups and liberal causes that do not represent mainstream America.

Senator Miller is one of a dying breed—the conservative Democrat. As he spells out his political positions in chapters targeting key election issues, he reveals he has much in common with Republicans. He favors cutting taxes (and reducing spending). He hates the obscene exhibits sponsored by the National Endowment for the Arts. He opposes gun control. And he favors drilling for oil in the Arctic National Wildlife Refuge. No wonder the Republicans wanted him to switch parties when they lost their majority in the Senate.

Miller reminds Democrats that Thomas Jefferson, Andrew Jackson, and John Kennedy were all tax cutters. He warns Democratic would-be Presidents against abandoning the Bush tax cuts or announcing new spending programs, because such measures will cost them votes. He believes cutting the capital gains tax would not only help the American middle class invest in the stock market and save for retirement, but also *increase* tax revenues. Most emphatically, Miller would like to replace the income tax with a simpler flat tax or consumption-based tax.

Although he does not use the term, Senator Miller is essentially pro-life. He believes modern ultrasound technology "has proved the unborn baby is human" and that *Roe v. Wade* will be rejected as surely as was *Dred Scott* (a monumental comparison for a Senate Democrat). In both decisions, Miller suggests, the Supreme Court misdefined human life in order to reach a desired political result.

Miller grew up around guns, and though he instituted an instant background check in Georgia that prevented convicted violent felons from purchasing firearms, he views gun ownership as an

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important means of protecting freedom. He co-sponsored the anti-terrorism legislation allowing airline pilots to carry firearms in the cockpit.

On other issues, such as campaign finance and affirmative action, Miller is less conservative. He favors campaign finance reform because he abhors the pressure on candidates to call lists of potential donors, an activity which takes time from meeting with voters individually or in groups. Although the senator admits to playing the very game he chastises, he looks back fondly on simpler times when waking up his neighbors at home to ask for their support was more important than raising money for television commercials.

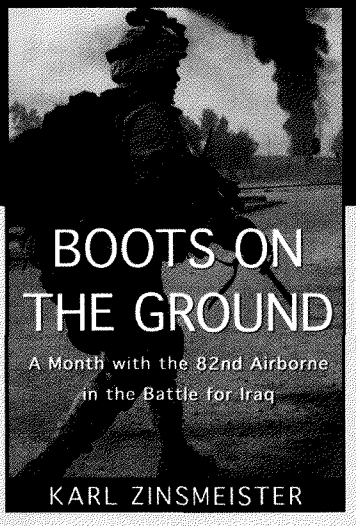
Miller believes that the government has an important role in helping certain minorities achieve equality. But, unlike many of his Senate counterparts, he wishes to modify the many federal programs aimed at promoting equal racial outcomes: "Income level should now be the criteria for affirmative action, not the color of one's skin." Miller also advocates social programs designed to train welfare recipients for the workforce as a means to close the racial economic equality gap.

The book exhibits Senator Miller's talent at taking complicated issues and explaining them in a way average voters can understand. He skillfully relates national policies to personal stories and individual values. The fact that the senator can make even his flip-flops sound perfectly reasonable marks him as a gifted politician.

Miller suggests that if other Democrats moved closer to the positions in his policy manifesto, their party message would resonate more strongly with middle America. He points out that Bill Clinton's campaign success in 1992 stemmed from his ability to portray himself as a "New Democrat" with economically conservative policies. Instead, to Miller's chagrin, his party has become, in his words, beholden to left-wing special interest groups who, while supporting the party financially, repel the average voter.

In this sense, *A National Party No More* offers prescriptions that Republicans might wish Democrats will ignore. But for the nation's sake, one hopes some of his common sense takes root among his political compatriots. Regardless of political persuasion, the reader will find Senator Miller a principled and thoughtful statesman.

Susanna Dokupil is an attorney and writer in Houston.



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Edited by Eli Lehrer

the Digest

Summaries of important new research from the nation's universities, think tanks, and investigative publications

POLITICS

A Tax Cut By Any Other Name

John Snow et al., "Tax-Free Savings and Retirement Security Opportunities for All Americans," U.S. Department of the Treasury, February 2004 (ustreas.gov)

Hamstrung by a growing deficit, President George W. Bush is unlikely to propose any cuts in tax rates in the near future. His campaign economic plan, however, proposes a variety of new savings vehicles to make it easier for Americans to accumulate money tax-free for large purchases or retirement. The Treasury Department provides some details as to how Bush's plan, currently under debate in Congress, would work. If implemented in full, the plan would effectively provide another large, although targeted, tax cut (by allowing people to save income without being taxed) while simultaneously increasing government assistance for people with low incomes.

Under Bush's proposal, Individual Retirement Accounts, 401(k)s, 403(b)s, and a dozen other retirement savings vehicles would be consolidated into two types of accounts: Retirement Savings Accounts and Lifetime Savings Accounts. A new type of account, Individual Development Accounts, would be created for people with low incomes.

The new Retirement Savings Accounts, both individual and employer-supported, would replace all current retirement vehicles. They would have higher contribution limits, and these would be indexed for inflation. As with current retirement accounts, individuals could make contributions with pre-tax or after-tax dollars. The new accounts, however, would be less flexible: Current rules allow people to spend retirement funds penalty-free for a variety of expenses, from paying for medical care to purchasing a home. Nearly all of these loopholes for early withdrawals would vanish. Rules and regulations governing employers would be eased in a variety of ways in an effort to prune regulation and encourage employers to offer accounts to their workers.

Lifetime savings accounts, on the other hand, would replace a variety of tax-privileged college investment plans. Money going into the accounts would be taxed as it goes in but not when it comes out, like today's Roth IRAs. Nearly everyone could contribute a maximum of $5,000 per year.

Finally, low-income individuals would get Individual Development Accounts (which a few states have already experimented with). Through a system of tax credits, those with an annual household income of $30,000 or less would have their savings matched dollar-for-dollar. These savings could be used to buy a home, get an education, or start a small business.

Bush's plan would retain current Medical Savings Accounts and Flexible Spending plans, but nearly every other type of savings program would be abolished. "The proposals make saving simple for everyone and for every purpose," summarizes assistant Treasury secretary Pam Olson. "They stress the importance of getting off the spending couch and into the savings gym."

ECONOMICS AND REGULATION

Law of the Jungle

Marco Iansiti and Roy Levien, "Strategy as Ecology," *Harvard Business Review*, March 2004 (hbr.org)

Microsoft and Wal-Mart, both great avatars of American capitalism, appear to utterly dominate their respective industries. Marco Iansiti, a Harvard Business School professor, and Roy Levien, a business consultant, attribute these companies' success not to their aggressive practices but to business strategies that take into account the health of the commercial "ecosystems" in which they operate.

Instead of trying to extract as much revenue as possible from other companies in the same industries, Microsoft and Wal-Mart follow business strategies that turn them into industry "keystones" that help other companies doing similar things. For example, in a diverse ecosystem of nearly 40,000 firms that sell, work

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with, or otherwise link to Microsoft's products, only five out of every 1,000 employees, and a roughly proportional share of profits, belong to Microsoft itself. By providing a platform—the Windows operating system and related development tools—Microsoft helps other companies perform specialized roles, like providing related software, or manufacturing the personal computers that run it.

In a similar way, Wal-Mart offers to providers of goods and services detailed sales information that, in turn, helps them develop new and better products. eBay, likewise, nurtures an enormous community of sellers by creating an easy-to-use, powerful, and widely trafficked forum that is shared by all for selling a bewildering variety of goods.

Keystone players, however, can misbehave or begin to act like dominators, damaging other niche players and eventually themselves in the process. Enron, AOL, and Yahoo adopted a domination strategy and reaped sizeable profits by following business practices that hurt their industries. AOL and Yahoo charged exorbitant advertising rates at the height of the dot-com bubble, thus destroying many startups, while Enron ran roughshod over those who bought and sold the commodities it traded. All of the companies realized they were part of larger organisms, but had no way of assessing the health of their business partners. As a result, write Iansiti and Levien, they "optimized short-term financial gains while undermining critical domains in their ecosystems."

NATIONAL SECURITY

A Case for a Bigger Army

Lawrence Korb, "How to Update the Army's Reserves," *Foreign Affairs*, March/April 2004 (foreignaffairs.org)

Are America's reserve armed forces overstretched? Lawrence Korb, an assistant secretary of defense under Ronald Reagan who now works at the Center for American Progress, thinks so. Korb contends that homeland security issues and peacekeeping duties in Afghanistan and Iraq mandate that the military reorder its personnel structure to place less pressure on reserve and National Guard units.

According to Korb, there are three problems with our current reserve force structure that hurt our overall military readiness. Due to peacekeeping duties in Afghanistan and Iraq, American armed forces are thin and therefore vulnerable in places such as the Korean Peninsula. National Guard and reserve units, he claims, are sometimes mobilized without sufficient notice or training. And National Guard and reserve units called to duty overseas would be crucial in responding to a terrorist attack at home.

To confront these problems, Korb offers several suggestions. Add more regular soldiers, particularly to active duty military police and civil affairs units. This would allow the United States to occupy large countries with or without help from other countries, and strain on combat units would be reduced. Create "stabilization units"—Army forces that are more reconstruction units than fighting forces. Keep paramedics, firefighters, and other vital first responders in their communities.

—*Amy Thoma*

SCIENCE AND ENVIRONMENT

Before Columbus?

Jacqueline Olin, "Evidence That the Vinland Map Is Medieval," *Analytical Chemistry*, November 2003 (pubs.acs.org)

Ever since the 1930s, the Vinland map has intrigued scholars and scientists alike. The map, written on what everyone agrees is fifteenth-century parchment and bound with another indisputably fifteenth-century document, shows the northeastern coast of North America and appears to date from roughly 50 years before Columbus' first voyage.

While significant evidence exists that Norsemen established small colonies in what is now Atlantic Canada, the map, which Columbus might have seen, would provide unimpeachable evidence that the Italian explorer was not the first European to visit the Americas.

Many scholars, however, have doubted the map's authenticity because its inks contain a form of anatase titanium dioxide that appears not to have been used in the creation of other medieval inks. Jacqueline Olin, a historian at the Smithsonian Institution, however, finds that anatase was present in other medieval inks and comes from the impure sulfates used to prepare these inks.

Olin's paper does not prove that the Vinland map is real—one chemist writing in the same journal has already disputed her findings—but it does offer significant evidence that the map could indeed date from the Middle Ages.

The Prescription Drug Mess

Joseph Antos, "Don't Ask, Don't Tell," *AEI Health Policy Outlook*, March/April 2004 (aei.org)

No matter how one looks at it, the drug benefit Congress and President Bush added to Medicare last year will cost a great deal of money. Originally estimated to cost around $400 billion between 2004 and 2013, it may end up costing nearly $550 billion. Hardly anyone is happy about the bill's cost. Republicans who hoped to rein in Medicare spending dislike the massive increases the bill will entail, and liberals realize that the expensive drug benefit will leave little money in the budget for new domestic programs.

AEI fellow Joseph Antos contends that "the actual cost will be much higher than either estimate reveals, because the drug benefit represents a

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permanent commitment of resources to seniors. Program spending will grow more rapidly in the near term than many expect, he says, and there is little doubt that the benefit will become even more generous as politicians add to it over time. Antos warns that the most commonly proposed solutions to reduce spending—capping the total cost of Medicare or regulating drug prices—aren't fixes at all, but just price controls that might actually make things worse.

As a result, Congress will have to revisit Medicare, perhaps as soon as next year. "The key to cost savings," Antos argues, "is fundamental reform that changes the incentives facing patients, providers, and health plans." Alas, that was almost entirely left out in the rush to give away a new prescription drug benefit.

OTHER COUNTRIES

Northern Rights

Conservative Party of Canada, "Draft Policy Statement," February 4, 2004 (conservative.ca)

After almost a decade and a half in power in the 1980s and early 1990s, Canada's Progressive Conservative Party suffered a disastrous defeat in the 1993 elections. After their fall, the Canadian conservatives split into a Progressive Conservative remnant that had strength mostly in Ontario (Canada's economic engine and population center) and a western party, variously called the Reform Party and Canadian Alliance, which controlled provincial governments in the resource-rich West. After significant intra-party warfare, the two factions agreed on a merger and formed the Conservative Party of Canada earlier this year. A Liberal Party government, which holds near-absolute power in Canada's parliamentary system though it has never gotten a majority of the vote, currently controls the nation's levers of power. But a series of scandals and anger over high tax rates mean that Canadian conservatives may have a chance of taking control of the country's institutions when prime minister Paul Martin next calls elections.

The new Conservative Party's founding document, essentially a preliminary campaign platform, sets out an agenda that would turn Canada sharply to the right. Among other things, it promises simplified and lower tax rates (Canada's personal income tax is the highest in the world), free trade, and compensation for landowners who lose control of their property after government scientists discover endangered species.

It also promises deregulation of Canada's agricultural sector, increased penalties for those who commit crimes, and tighter immigration policies. Finally, it also promises a stronger military (Canada's military is the weakest among large NATO powers), a crackdown on terrorist groups operating in Canada, and improvements to Canada's intelligence operations.

The platform is silent about many social issues—eastern Canadian conservatives typically support legal abortion while many western Canadian conservatives oppose it—but it does promise that a Conservative Party government will allow "free votes" (which allow members of parliament to vote against their own party's government without bringing it down) on "matters of conscience and deep personal conviction."

Russia Withers

Nicholas Eberstadt, "The Emptying of Russia," *AEI On the Issues*, February 2004 (aei.org)

Russian birth rates had tumbled even before the Soviet Union began to fall apart. Coupled with a death rate matched only in the Third World, this has sent the Eurasian giant's population into a steep decline. Recovering, writes AEI demographer Nicholas Eberstadt, may not be easy.

At the Soviet Union's dissolution in 1992, Russia had 149 million residents. Today, the population is 145 million and falling. Although this 3.1 percent decline is not the world's largest, all the other countries with similar declines saw either mass emigration or violent upheaval. Russia saw neither, instead combining exceptionally low birth rates with massive death rates.

The demographic implications are startling. While Italy, which is often cited as Exhibit A in Europe's low birth rate crisis, has 103 deaths for every 100 live births, Russia has 170 deaths for every 100 live births.

A variety of circumstances make things even worse. Russian infertility rates are the world's highest. Much of the problem may stem from the frequency of abortion and the poor conditions under which it is performed, leaving somewhere between 10 and 20 percent of Russian women unable to have children. Curable venereal diseases also run rampant. Health in general is not good in Russia; cardiovascular disease has recently surged, for instance. Family decline is a second problem. Marriage has fallen on hard times; Russia now has three divorces for every four marriages. Finally, alcoholism is epidemic. Russians drink enormous quantities of spirits, vodka in particular. This contributes to increased disease, sickness, and a startlingly high accidental death rate.

Eberstadt sees this situation as nothing short of a disaster for Russia. The nation's population of men between 15 and 24, which averaged between 10 and 13 million over the past 25 or so years, will decline to 6 million unless the government takes corrective action. Russia simply cannot develop in anything resembling a normal fashion unless things change.

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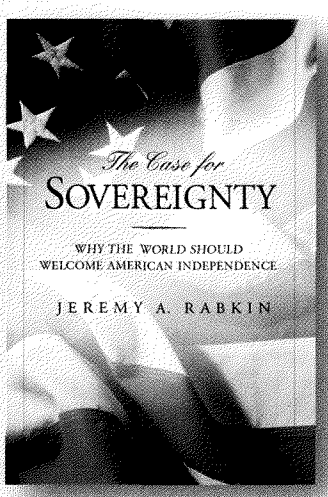

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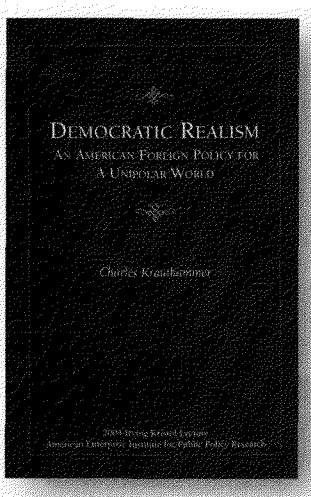

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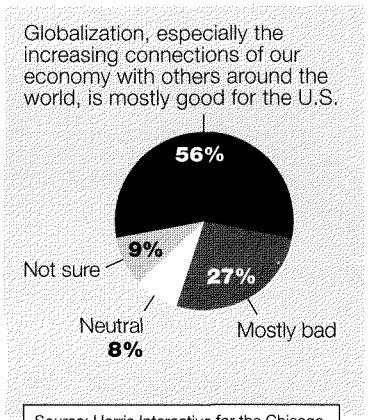
Opinion Pulse

Edited by Karlyn Bowman

A Cautious Go-ahead for Globalization

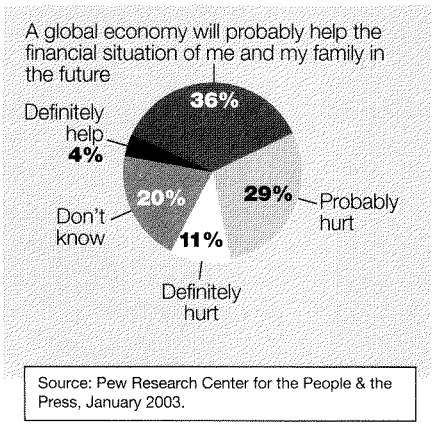
Americans believe that globalization is mostly good for the U.S., but they are divided about whether it will help them and their families. Only about 10 percent want to try to stop or reverse it. The largest number, 40 percent, are content to allow it to continue. People are aware that globalization may mean less security for American workers. They recognize that workers in other countries will work for lower wages and that American consumers want the lowest possible prices.

Question: Do you believe...?



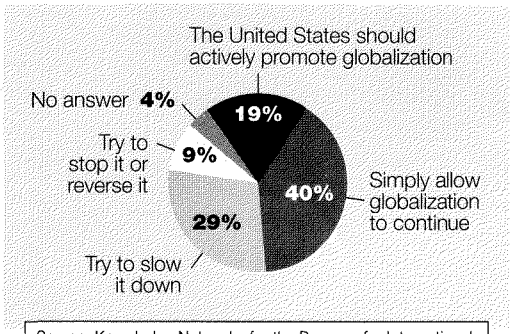
Source: Harris Interactive for the Chicago Council on Foreign Relations and the German Marshall Fund, June 2002.

Question: Do you think...?



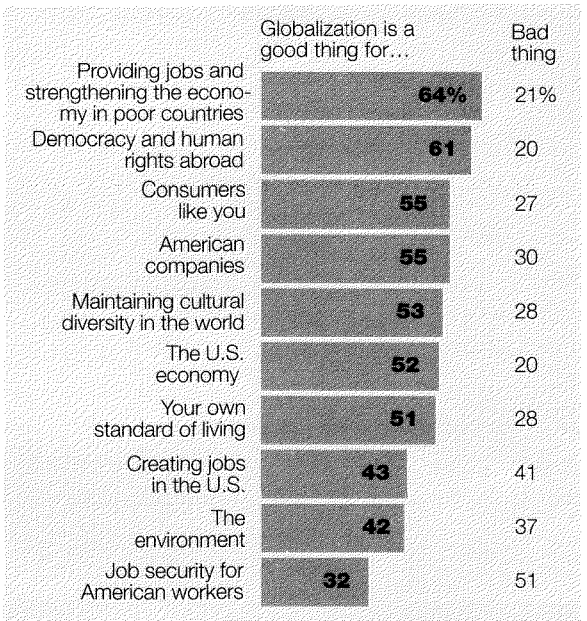
Source: Pew Research Center for the People & the Press, January 2003.

Question: Overall, with regard to further globalization, do you think...?



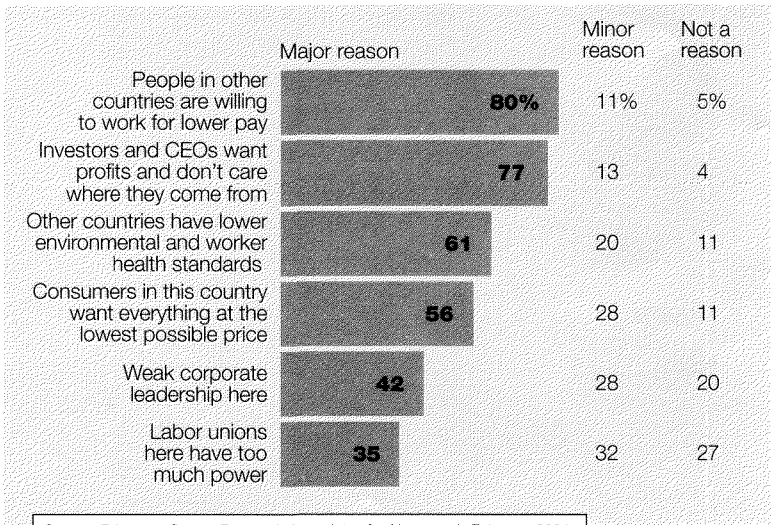
Source: Knowledge Networks for the Program for International Policy Attitudes, December 2003–January 2004.

Question: Overall, do you think...?



Source: Harris Interactive for the Chicago Council on Foreign Relations and the German Marshall Fund, June 2002.

Question: As I mention some possible reasons for the loss of American jobs to foreign competitors, please tell me if you think each is a...



Source: Princeton Survey Research Associates for *Newsweek*, February 2004.

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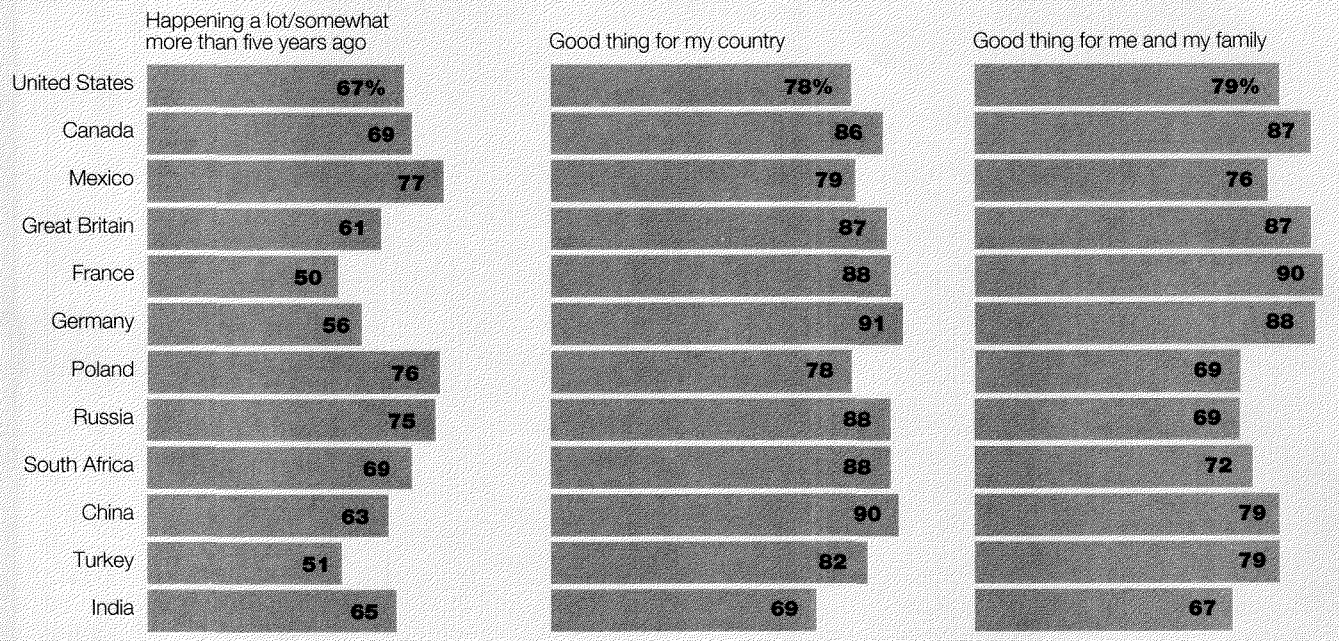
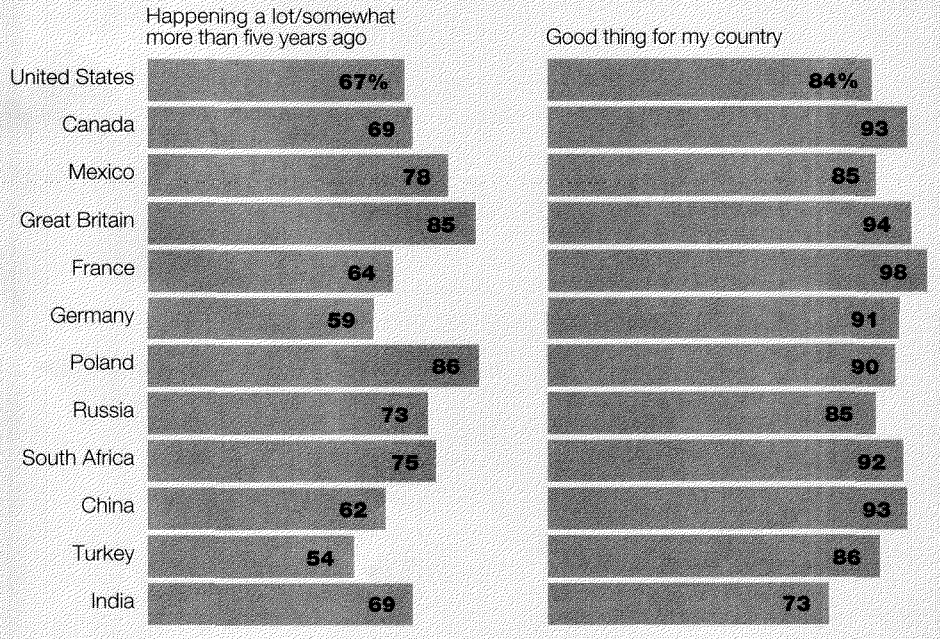
People around the world recognize that global trade, communications, and cultural ties are increasing, and substantial majorities think that this is a good thing for their countries and for them and their families. The results are especially impressive, because in many of the countries surveyed people thought that the availability of good-paying jobs in their countries had gotten worse over the past five years.

Question: Do you think…?

Trade and business ties between my country and people in other countries are...



Communication and travel between the people of my country and other countries are...



Note: Question wording varied slightly.
Source: Pew Research Center for the People & the Press, 2002 and 2003.

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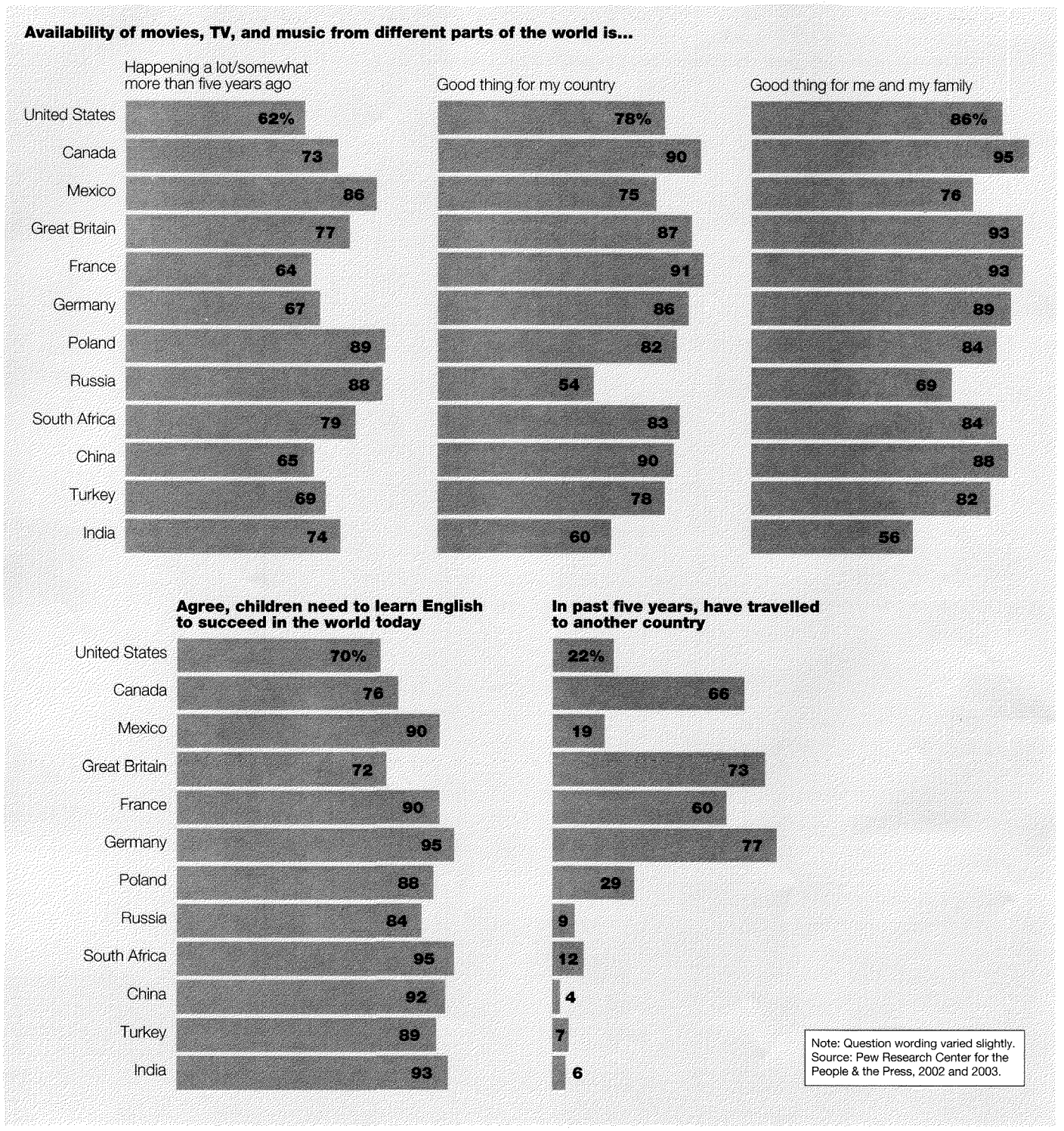
Globalization (continued)

People around the world are enthusiastic about the rapid spread of popular culture (movies, television shows, and music) around the globe. They believe that English will be the language of the new global economic order. In Canada, Great Britain, France and Germany substantial majorities are already travelling beyond their own country's borders.



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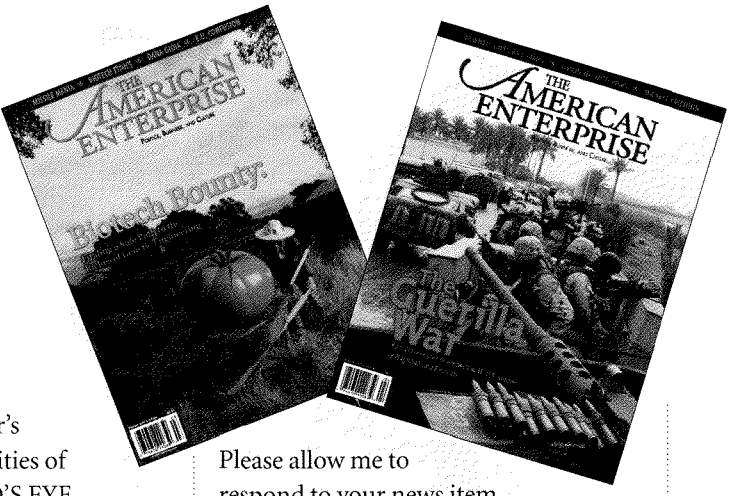

Kudos to Don Feder on "John Kerry's Judgment" (SCAN, April/May). Unfortunately he did not go quite deep enough. In his 1971 testimony before the Senate Foreign Relations Committee, Kerry not only accused his fellow servicemen of doing all the horrible things that Feder highlights, but also said that the government made these men do them. Not a hint of personal or leadership responsibility at the small unit level, just blame for the entire government.

I am a former Marine infantry officer who fought in Vietnam. I saw none of the rape and pillaging or drug use that Kerry laid on all of us.

Putting someone with the mindset of John Kerry in the White House would be dangerous. His plea for a unilateral withdrawal from Vietnam in 1971 echoes his call for essentially the same thing now in Iraq. Considering the prospects of Kerry in our Executive Office, Osama bin Laden must be dancing with his cane.

Wallace Dixon
Raleigh, North Carolina

Don Feder's analysis of John Kerry's motives is like Maureen Dowd's analysis of George W. Bush's. Mr. Feder should try not to be as hysterical as the *New York Times*.

Karl Zinsmeister's detailed and frank reporting of the Iraq war ("The Guerilla War," April/May) is the best war reporting since *Guadalcanal Diary*. I have a son-in-law in Iraq and two grandsons being prepared to go. We need to understand what our sons and daughters face.

Robert Burton
Lindon, Utah

Reading Karl Zinsmeister's eloquent "The Cold Realities of Our Fight in Iraq" (BIRD'S EYE, April/May) and his compelling piece, "The Guerilla War," was a satisfying and moving experience. I would like very much for both to become mandatory reading for all those willing to believe, like Ted Kennedy, that Iraq is "George Bush's Vietnam."

The men and women engaged in this arduous and daunting task do so with resolve and courage while simultaneously upholding the dignity of the Iraqi people. How fortunate we are to be protected and served by our armed forces.

Thank you for a balanced perspective on Iraq. It was a refreshing change and sorely needed in the face of all the shrill reporting dominating the news to date.

Helen Kreger
Westland, Michigan

I am an 82-year-old Ph.D. microbiologist who subscribes to far more than I can read. Last night I couldn't sleep after knee replacement surgery. My wife and I have an agreement that reading in bed is fully acceptable if done unobtrusively, so I grabbed the April/May issue of *The American Enterprise* and read it cover to cover. Karl Zinsmeister's "The Guerilla War" was absolutely riveting. It should be serialized in every major newspaper. I thought as I read it, "If only this could be propagated everywhere—or, more specifically on mass television programs." I just had to write.

Charles Zierdt
Rockville, Maryland

Please allow me to respond to your news item about PETA's latest anti-fur flier (SIDELIGHTS, March). Because our flier exposes the extreme violence of the fur industry, we are handing it out to kids 13 years and older only, or directly to their mothers.

As a mother myself, I do everything I can to teach my daughter that cruelty and violence are wrong. That's why I cannot understand why any parent would ever choose to wear fur. Perhaps they don't know that animals caught in the wild for their fur face days of agony in traps, tearing flesh and breaking bones in a struggle to get free. On fur farms, animals are killed by being poisoned, gassed, strangled, or electrocuted.

Let's choose kindness by shunning products, such as fur, that involve the unnecessary suffering of so many innocent animals.

Liz Welsh
People for the Ethical Treatment of Animals

Regarding UCLA's Fifth Dimension program ("School Daze," SCAN, April/May), the word "emote" is bad enough used alone; when modified by "culturally," I can only gag. The program description strengthens my contention, as a "wordaholic" literacy tutor, that folks who have something to say use straightforward words, while pretenders resort to the unfamiliar, hoping readers will assume erudition where there is none.

Graden Harger
Houston, Texas

The American Enterprise welcomes your comments. Send e-mail to TAE@aei.org. Or write "The Mail," *The American Enterprise*, 1150 17th Street N.W., Washington, D.C. 20036. Or fax (202) 862-5867. Please include your address and phone number. Published letters may be edited for length and clarity.

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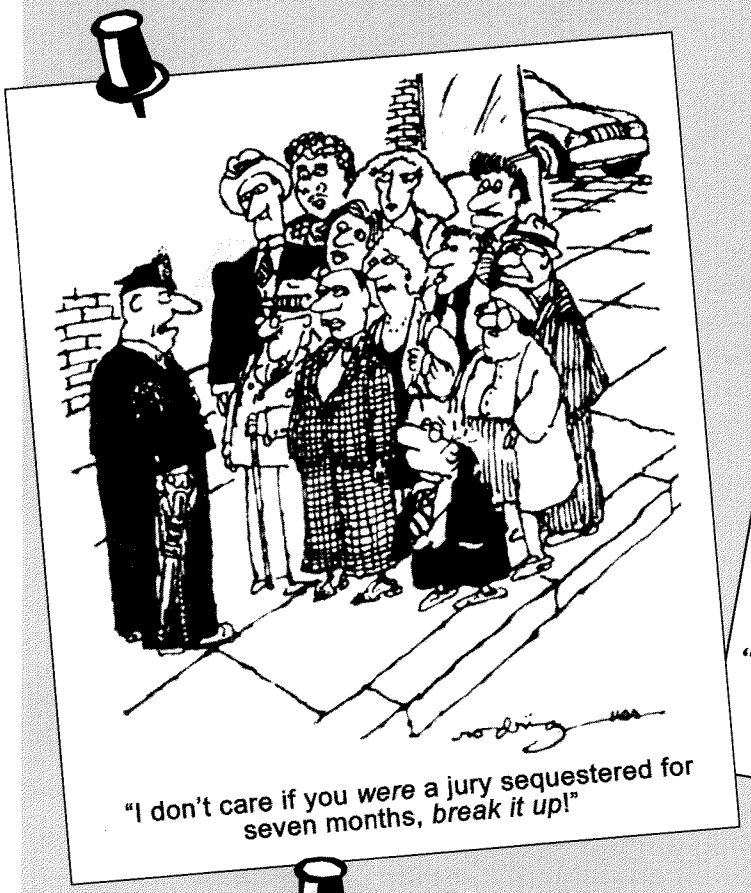
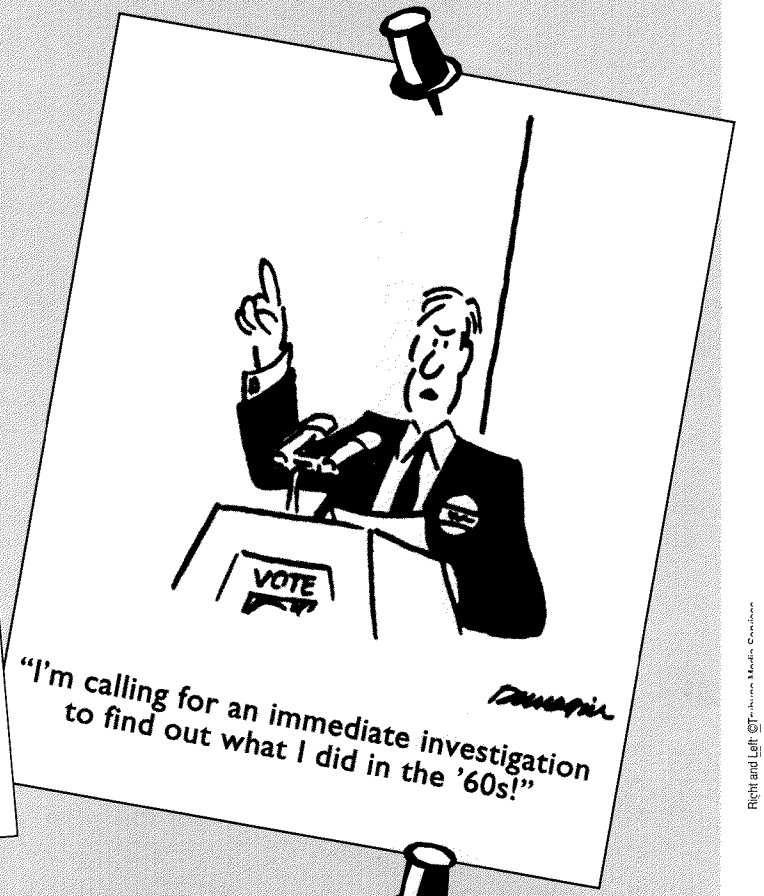


"I don't care if you *were* a jury sequestered for seven months, *break it up*!"



"I'm calling for an immediate investigation to find out what I did in the '60s!"

"My art's too important to show to anybody."

"What I'm challenging this group to do, then, is to redirect our shared passion for the idea of making money into actually making money!"

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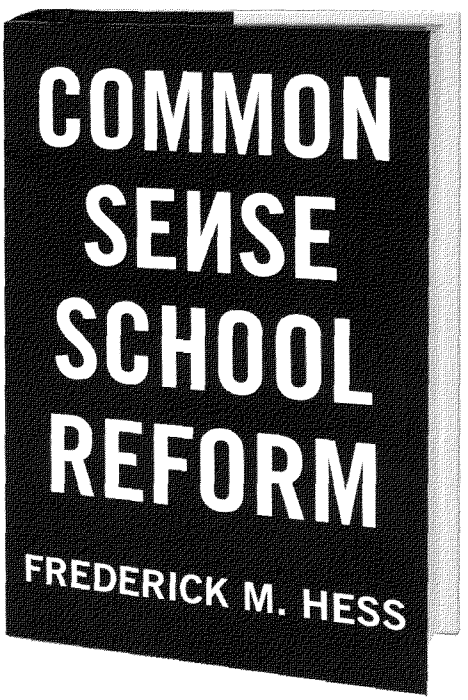
Common Sense School Reform

By Frederick M. Hess



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